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SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Rodney Fong, Commissioner
Michael Hardeman, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

PLEASE NOTE THE TIME OF THE MEETING

AGENDA
REGULAR MEETING
TUESDAY, JANUARY 9, 2007
2:00 P.M. EXECUTIVE SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

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The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

1. **CALL TO ORDER / ROLL CALL**

01-05-07P02:22 RCVD

2. **APPROVAL OF MINUTES** - December 12, 2006

3. **EXECUTIVE SESSION**

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: 23rd Street along the bay floor to the San Francisco County Line
Person Negotiating: Port: Brad Benson, Special Projects Manager
*Trans Bay Cable LLC: Sam Wehn

Under Negotiation: _____ Price _____Terms of Payment X Both

3 1223 07087 1323

An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at 23rd Street along the bay floor of the San Francisco County Line.

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

Under Negotiation: _____ Price _____Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

4. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

5. EXECUTIVE

A. Election of Port Commission Officers

B. Executive Director's Report

- Passing of John P. Leyden, former U.S. Customs and Border Protection Port Director
- Fisherman's Wharf Community Benefit District Formed December 12, 2006
- Cruise Terminal Blue Ribbon Task Force Kickoff Meeting – January 25, 2007 at 9:00 a.m., Bayside Conference Room @ Pier 1
- Queen Mary II Maiden Call – February 4 and 5, 2007

6. CONSENT

A. Quarterly Project Update for the Illinois Street Intermodal Bridge Project.

7. PLANNING & DEVELOPMENT

A. Request approval to extend license agreement for eight months with Topher Delaney for the Temporary Public Art located in Aqua Vista Park as a component of the City's Blue-Greenway effort. (Resolution No. 07-01)

B. Request approval to extend license agreement for eight months with William Wareham for the Temporary Public Art located at the Third Street and Cargo Way Gateway Open Space as a component of the City's Blue-Greenway effort. (Resolution No. 07-02)

C. Informational presentation on coordination with the San Francisco Redevelopment Agency (SFRA) on a community planning process funded by a grant from the Association of Bay Area Governments (ABAG)/Bay Trail project to study pedestrian and landscape improvements to Cargo Way.

D. Request Endorsement of Amended and Restated Development Memorandum with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets). (Resolution No. 07-03)

E. Request Approval of Fourth Amendment to the Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets). (Resolution No. 07-04)

8. REAL ESTATE

A. Request approval of resolution authorizing the Executive Director to execute a Memorandum of Understanding with the San Francisco Entertainment Commission to transfer responsibility for the issuance and administration of Entertainment Related Permits from the Port to the Entertainment Commission. (Resolution No. 07-05)

B. Request approval to delay implementation of the Airspace Encroachment Policy located on the south side of Jefferson Street and the west side of Powell Street from January 1, 2007 to March 13, 2007. (Resolution No. 07-06)

9. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

 - Informational presentation regarding the City's Emergency Text Message Alerting System (February 13, 2007)
 - Informational presentation regarding Stormwater Design Guidelines for the Port of San Francisco (February 13, 2007)
 - Informational presentation on CEQA Findings concerning the Trans Bay Cable LLC for use of 9.4 miles of bay floor from the San Francisco County line in the bay to the San Francisco shore located at 23rd Street for a direct current transmission line (February 13, 2007)
 - Request approval of First Amendment to Marine Terminal Agreement with Metropolitan Stevedore Company (February 13, 2007)
 - Request approval of Lease with the San Francisco Bar Pilots for space located at Pier 9 (February 13, 2007)
 - Request authorization to award Construction Contract No. 2713, Pier 52/54 Public Boat Launch Project (February 13, 2007)
 - Request approval of the Management Agreement with The Pasha Group for a portion of Pier 80 and simultaneous amendment of the Management Agreement at Pier 80 with Marine Terminal Corporation (February 13, 2007)

- Informational presentation regarding High Flying Foods/Firewood Cafe lease at 360 Jefferson Street (February 13, 2007)
- Request approval of Memorandum of Understanding (MOU) with San Francisco Public Utilities Commission (SFPUC) regarding implementation and funding of Energy Efficiency Projects at the Port of San Francisco (February 13, 2007)
- Informational presentation regarding casual landing/excursion berthing rates at the Port of San Francisco (February 13, 2007)
- Informational Presentation on the Port's Annual Operating Budget for Fiscal Year 2007-08 (February 13, 2007)
- Informational Presentation on the Port's Capital Budget for Fiscal Year 2007-08 (February 13, 2007)
- Informational presentation on the Port's Ten-Year Capital Plan Annual Update (February 13, 2007)
- Informational presentation on Building Occupancy Resumption Program of the Port of San Francisco (February 27, 2007)
- Informational presentation regarding tenant improvement credits and tenant allowances (February 27, 2007)
- Informational presentation regarding Wharf J-10 Demolition Project Status Report (February 27, 2007)
- Informational presentation regarding As-Needed Contracts, Second Quarterly Report Fiscal Year 2006/07 (February 27, 2007)
- Request approval of the Port's Annual Operating Budget for Fiscal Year 2007-08 (February 27, 2007)
- Request approval of the Port's Capital Budget for Fiscal Year 2007-08 (February 27, 2007)
- Request approval of the Port's Ten-Year Capital Plan Annual Update (February 27, 2007)
- Request approval of Lease No. L-14261 for 2902 square feet of office space with California Foundation on the Environment and the Economy (CFEE) at the southwest end of Pier 35 (February 27, 2007)
- Informational presentation regarding the Facility Assessment Program and Findings (March 13, 2007)
- Request approval of Lease No. L-14268 between the Port and High Flying Foods, LLC for Port property located at 360 Jefferson Street (March 13, 2007)
- Informational presentation regarding Real Estate Broker Fees Policy at the Port of San Francisco (March 2007)
- Informational presentation on findings of Port Meter Pilot Program (March 2007)
- Request approval of a License with Trans Bay Cable LLC for use of 9.4 miles of Bay Floor for a direct current transmission line (Date to be determined)
- Request approval of First Amendment to Berthing Agreement with California Sealift Terminals, Inc. (Date to be determined)
- Request authorization to increase ferry rates at the Port of San Francisco (Date to be determined)
- Request authorization to Advertise for Competitive Bids for the Pier 35 Façade Improvements Project, Contract No. 2712 (Date to be determined)
- Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (Date to be determined)

- Request approval of Tri-Party Agreement with Port, the Exploratorium and Baydelta Maritime for lease of space at Pier 17 (Date to be determined)

10. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

11. COMMUNICATIONS

Communications to the Port Commission received from December 8, 2006 to January 4, 2007:

- From Linda Weiner, Bay Area Clean Air Task Force Chair, copy of a letter to Richard Sklar of SFPUC regarding installing shoreside power for cruise ships along the San Francisco waterfront
- From David Lewis, Save the Bay, regarding Piers 27-31 Mixed-Use Recreation Project
- From Ruth Gravanis, The Public Trust Group, regarding Piers 27-31 Exclusive Right to Negotiate
- From Fred Allardyce, Barbary Coast Neighborhood Association, regarding Piers 27-31 Mixed-Use Recreation Project
- From Bob Armstrong, Artists Guild of San Francisco, regarding fee increase for use of the Harry Bridges Plaza
- From Bob Armstrong, Artists Guild of San Francisco, copy of a letter of support from Supervisors Tom Ammiano, Ross Mirkarimi and Chris Daly
- From Eula Walters, Citizens for Open Space, copy of a letter to Mayor Newsom regarding the Abraham Lincoln Brigade Monument
- From Chris Martin and Karen Bell, Fisherman's Wharf Community Benefit District, regarding the airspace encroachment program

12. ADJOURNMENT

FEBRUARY /MARCH 2007
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
February 13	**2:00 p.m.**	**Closed Session/Port Commission**	**Port Commission Room**
	3:15 p.m.	**Open Session**	**@ Ferry Building**
February 27	**2:00 p.m.**	**Closed Session/Port Commission**	**Port Commission Room**
	3:15 p.m.	**Open Session**	**@ Ferry Building**
March 13	**2:00 p.m.**	**Closed Session/Port Commission**	**Port Commission Room**
	3:15 p.m.	**Open Session**	**@ Ferry Building**
March 27	**2:00 p.m.**	**Closed Session/Port Commission**	**Port Commission Room**
	3:15 p.m.	**Open Session**	**@ Ferry Building**

NOTES:
The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jennifer Sobol @ 274-0548.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building: The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington St., Folsom St. & Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals. A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine/

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

January 3, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Quarterly Project Update for the Illinois Street Intermodal Bridge Project.

DIRECTOR'S RECOMMENDATION: CONSENT ITEM - INFORMATIONAL PRESENTATION ONLY – NO ACTION REQUIRED

This item is presented for consent since a presentation was made on this project at the last Port Commission meeting on December 12, 2006.

BACKGROUND

Due to funding regulations[1], the Illinois Street Bridge Project construction is being completed with two separate contracts. The design and construction of the bridge, control system and north approach was substantially completed on October 31, 2006, under Contract No. 2680 with Shimmick Construction Company. The remaining work was completed by December 31, 2006, with the exception of minor punch items and integrated testing of the bridge control system (which was part of the original contract scope). Port staff have negotiated a change order with Shimmick to postpone final testing of the bridge operations until the South Approach is complete. The testing team will remobilize in June, 2007. The testing program, which includes control system adjustments and training of Port personnel, is to be completed within two months after remobilization.

A separate contract, Contract No. 2709, has been awarded for construction of the South Approach which includes instrumentation that connects to the bridge control system. Contract No. 2709 is driving the bridge functional completion date. Staff issued the Notice to Proceed in December, 2006 and anticipates the South Approach to be substantially complete by the end of May, 2007. Integrated testing of the bridge control system, provided for under Contract No.

[1] Approximately 20% of the Bridge construction funding is provided by a grant from the Federal Highway Administration. It has required use of a separate contractor and has resulted in significant delays to the construction schedule.

This Print Covers Calendar Item No. 6A

2680, cannot be achieved until instrumentation work performed under Contract No. 2709 is incorporated into the system. This integrated testing will confirm that the complete system is fully operational, safe and warranted in accordance with the terms and conditions of Contract No. 2680.

The status of each contract is described below.

ILLINOIS STREET BRIDGE CONTRACT NO. 2680

Scope:
Design / build contract for the design of the bridge and approaches, and construction of the bridge, freight track to Pier 80, and the north approach. Construction of the south approach is not included.

Design Builder:
Shimmick Construction Company Inc.

Construction Progress – *95% complete*:
- Minor punch items to be completed.
- Control system testing to be completed after instrumentation is provided under Contract No. 2709 from the south approach.

Issues:

- None

Construction Forecast:
- Remaining work consists primarily of completion, testing and adjusting of hydraulic, electrical, and control systems.

Construction Cost Summary:

Table 1
Cost Summary for Contract No. 2680

Item	Amount
Total Funds for Contract No. 2680 Authorized by Commission	$18,673,500
Total Contract Amount to Date Including Executed Change Orders	$18,661,260
Sub-total Remaining Available Construction Contingency	$12,240

Since award of Phase I (design - $1,715,000) and Phase II (construction- $11,495,000), the following Change Orders (CO) have been executed to Contract 2680:
- CO#1 $775,000 and 0 Calendar Days (CDs) for Alternates 3, 4 and 5 (Commission Resolution 04-46)
- CO#2 $15,152 and 8 business days = 12 CDs to evaluate increasing opening and closing speed of the bridge

- CO#3 $40,000 and 21 CDs for design changes due to the Bay Conservation and Development Commission (BCDC) permit requirements
- CO#4 $23,907 and 14 CDs to evaluate Coast Guard issues concerning raising the bridge clearance
- CO#5 $2,900,000 and 189 CDs for Alternate 2 and resolution of all current additional work, delay, and cost claims (Commission Resolution 05-42).
- CO#6 $880,018 and 0 CDs for design changes to the south approach and BCDC handrail requirement
- CO#7 $210,509 and 0 CDs for provision of south approach bid documents
- CO#8 $310,832 and 49 CDs for material caused delay and for purchase of long lead items for the south approach (Commission Resolution 06-52)
- CO#9 $47,032 and 43 CDs for delay and due to unforeseen field conditions of utilities found during construction and for mitigation of the conditions (Commission Resolution 06-68)
- CO#10 $248,810 for remobilization of the control system testing team and minor scope additions. Final completion date extended to July 31, 2007. (Commission Resolution 06-89)

Construction Photos attached hereto:

1. View of Bridge with Bascule section raised.
2. View of Bridge from Top of Control Room Looking South to Amador Street
3. View of Bridge from Top of Control Room Looking North to Marin Street

ILLINOIS STREET BRIDGE – SOUTH APPROACH - CONTRACT NO. 2709

Scope:
Construction of the South Approach.

Contractor:
Stacy & Witbeck, Inc.

Construction Progress

- Notice to proceed December 19, 2006
- Substantial completion May 18, 2007
- Final completion July 17, 2007

Issues:

- Port staff have been working closely with the tenants along Illinois Street that may be impacted by the construction of the South Approach and associated rail re-alignment. A pre-construction meeting will be held on January 11, 2007 with the contractor, DPW and the Port. The purpose will be to discuss the project and potential impacts and mitigation measures.

Construction Forecast:

- Field work will commence mid- January, 2007

Construction Cost Summary:

Table 2
Cost Summary for Contract No. 2709

Item	Amount
Total Funds for Contract No. 2709 Authorized by Commission	$4,347,640
Total Contract Amount to Date Including Executed Change Orders	$3,952,400
Sub-total Remaining Available Construction Contingency	$395,240

Since award of construction- $3,952,400), no Change Orders (CO) have been executed to Contract 2709.

Prepared By: Kim von Blohn, Project Manager
For: Ed Byrne, Chief Harbor Engineer



1. VIEW OF THE BRIDGE WITH BASCULE SECTION RAISED



2. VIEW OF THE BRIDGE FROM TOP OF CONTROL ROOM LOOKING SOUTH TO AMADOR STREET



3. VIEW OF THE BRIDGE FROM TOP OF CONTROL ROOM LOOKING NORTH TO MARIN STREET

PORT OF SAN FRANCISCO

MEMORANDUM

January 4, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Staff request approval to: (7A) Extend a license agreement with Topher Delaney for the installation of Temporary Public Art located in Aqua Vista Park; and (7B) Extend a license agreement with William Wareham for the installation of Temporary Public Art in the Third Street and Cargo Way Gateway Open Space, each as components of the City's Blue-Greenway effort.

DIRECTOR'S RECOMMENDATION: APPROVE ATTACHED RESOLUTIONS

Project Overview
On June 13, 2006, the Port Commission adopted Resolution No. 06-50 and 06-51 authorizing the Executive Director to enter into a license agreement with the Topher Delaney and William Wareham to install Temporary Public Art in Aqua Vista Park and at the Third Street and Cargo Way Gateway Open Space respectively, as a component of the City's Blue-Greenway efforts. The attached resolution would authorize the Port to extend the license agreement for an additional eight-months from December 31, 2006 to allow public art installations to remain through August 31, 2007.

Each of the Temporary Art installations has met the goals of the Blue-Greenway vision by attracting new users and stewards to the waterfront open spaces. In addition, the art installations have been received with a favorable response from the community and neighborhoods in which they are located. The request for an extension was not only made by the individual artist, but was initiated by the Neighborhoods Parks Council and supported by the Mayor's office.

An extension of the terms of the licenses would not result in any cost to the Port. In addition, the artists will continue to act as stewards of the open spaces in which the Temporary Public Art installations are located. Stewardship of the open spaces (repair and maintenance of installations, litter pick up and graffiti abatement) was not a requirement of the license, but has occurred through a volunteer basis.

This Staff Report covers Agenda Items **7A and 7B**

The Bay Conservation and Development Commission (BCDC) has stated that placement of temporary art at Aqua Vista Park is consistent with the existing permit authorizing the installation of the artwork until August 31, 2007. The Third Street and Cargo Way Gateway Open Space is outside of BCDC's jurisdiction.

In addition to these two Temporary Art locations along the Blue-Greenway, several additional sites were identified along the Southern Waterfront. Port Staff working with the Mayor's office, the Art Commission and local art groups will work towards developing a program that will allow continued installations of temporary public art along the Blue-Greenway.

Recommendation

Approve the attached resolutions authorizing extension of the license with Topher Delaney and William Wareham to extend the period of installation of the Temporary Art sculptures on Port property at Aqua Vista Park and Third Street and Cargo Way Gateway Open Space through August 31, 2007 without payment of license fees.

Prepared by: David Beaupre
Senior Waterfront Planner

PORT OF SAN FRANCISCO

MEMORANDUM

January 4, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational presentation on coordination with the San Francisco Redevelopment Agency (SFRA) on a community planning process funded by a grant from the Association of Bay Area Governments (ABAG)/Bay Trail project to study pedestrian and landscape improvements to Cargo Way

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY; NO ACTION REQUIRED

Project Overview

Cargo Way is located in the Port's Southern Waterfront and serves as the primary access way to the Port's Pier 90 – 96 cargo facilities, the Inter-modal Cargo Transfer Facility (ICTF) (rail yard) and Heron's Head Park. The roadway was constructed by the City's Department of Public Works as a component of the SFRA India Basin Industrial Park in the early 1970's. Cargo Way is also the designated alignment of San Francisco - Bay Trail, a 500-mile multi-use regional trail planned to encircle the entire San Francisco Bay.

The Mayor's Blue-Greenway Task Force identified the opportunity to improve Cargo Way through landscaping, pedestrian and possible bicycle improvements to enhance access to the Bay shoreline parks at its terminus. Additionally, the Port's Pier 90 - 94 Backlands Planning process identified an opportunity within the Cargo Way right-of-way (r.o.w.) for improved landscaping and pedestrian access.

The existing r.o.w. profile of Cargo Way includes two wide traffic lanes in either direction (4 lanes total), parallel parking on both sides of the street, an approximately 13' landscaped median and either non-existent or narrow sidewalks. An initial analysis by the City's Department of Parking and Traffic identified that there is excessive r.o.w. and likely space for pedestrian and possibly bicycle improvements. A component of the Cargo Way study will be to develop a concept for an improved entrance to Heron's Head Park, which is currently at the terminus of Cargo Way and lacks definition from the roadway. Recognizing the potential for improvements to Cargo Way, the SFRA

This Print Covers Calendar Item No. 7C

coordinating with Port staff applied for and received a grant in the amount of $75,000 from ABAG-Bay Trail to study potential improvements to the roadway that would provide a safe pedestrian way, landscape enhancements and possibly bicycle lanes or travel ways.

Since Cargo Way is located within the Port's jurisdiction and serves its operations, the Port will coordinate with SFRA staff on the planning process. The proposed community planning process includes the use of the Port's existing Advisory Groups, including the Southern Waterfront Advisory Committee (SWAC) and the Maritime Commerce Advisory Committee (MCAC). In addition, the SFRA will use the Bayview Hunters Point Project Area Committee and the Hunter's Point Shipyard Citizens Advisory Committee.

While Port staff recognizes there is an opportunity for pedestrian and landscape improvements to Cargo Way, the planning process must recognize the needs of the existing Port tenants and future Port growth in the area. The challenge of the planning process will be to develop a concept that meets the needs of the various users in a safe and sustainable way. Cargo Way is primarily used by heavy and frequent industrial traffic including large trucks, but must also include amenities for pedestrians. Ultimately, any new design concept that may develop from the planning process must be one that insures safe access for pedestrians, while maintaining necessary access for Port operations.

Once the planning is complete, the Redevelopment Agency working with the Port and other City agencies will work towards identifying and securing funds to design and construct the recommended improvements. Funding sources may include, Transportation for Livable Communities Capital Grants, San Francisco Bay Trail grants and other local, state or federal funding sources.

Project Schedule

The SFRA released a request for qualifications to consultants to assist in the planning process in September and received nine proposals. The SFRA convened a review panel including SFRA, Port, City Planning and a community member representing both the Port's SWAC and the Bayview Hunter's Point Project Area Committee. Four teams were selected to be interviewed, the interview panel is recommending one team to be selected and the SFRA Commission will decide on the recommendation in January.

When the consultant team is selected and approved by the SFRA Commission, SFRA, ABAG/Bay Trail and Port staff will work with the consultants to refine their scope and then begin the planning process in February. It is anticipated that the entire planning process will take approximately nine months. As the planning process moves forward, staff will keep the Port Commission informed of the progress and outcome.

Prepared by: David Beaupre
Senior Waterfront Planner

PORT OF SAN FRANCISCO

MEMORANDUM

January 4, 2007

TO: **MEMBERS, PORT COMMISSION**
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request Endorsement of Amended and Restated Development Memorandum with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets) (Res. No. 07-03)

Request Approval of Fourth Amendment to the Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets) (Res. No. 07-04)

DIRECTOR'S RECOMMENDATION: Endorse Amended and Restated Development Memorandum; Approve and Authorize Execution of Fourth Amendment to the Amended and Restated Exclusive Negotiation Agreement

This Staff Report combines the two related items set forth above pertaining to the Piers 27-31 Mixed-Use Recreation Project.

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This Print Covers Calendar Item Nos. 7D & 7E

I. BACKGROUND

A. Request for Proposals

In May 1999, at the direction of the Port Commission, the Port formed the Northeast Waterfront Advisory Group to provide input and guidance to Port staff in preparing a request for proposals for a mixed-use recreation development with ancillary uses at Piers 27-29, and perhaps Piers 29½ and 31. On September 21, 1999, the Port Commission approved the mission statement and development concept recommended by the Northeast Waterfront Advisory Group, as well as key lease terms and the selection process, for the Piers 27-31 Mixed Use Recreation Project ("Project"). The Port Commission also authorized issuance of a request for proposals (RFP) for the Project. The Site for the Project consists of a 19-acre complex of piers on the Northeast Waterfront, including Piers 27, 29, 29½ and 31. See the Piers 27-31 Site Plan, attached hereto as **Attachment 1**.

On December 8, 1999, the RFP was suspended due to the pending public review of proposed amendments to the policies and plans of the San Francisco Bay Conservation and Development Commission (BCDC), which would impact the proposed Project. On July 20, 2000, at a joint meeting of BCDC and the Port Commission, BCDC unanimously approved recommended amendments to its plans and the Port Commission unanimously approved recommended amendments to its Waterfront Land Use Plan. These amendments removed restrictions that prevented developments such as the Project proposed for Piers 27-31 from going forward, and adopted new policies for the San Francisco Waterfront between China Basin and Pier 35, including specifically Piers 27-31

Following meetings of the Northeast Waterfront Advisory Group, the Port Commission, on August 15, 2000, approved amendments to the RFP. The amended RFP (hereinafter referred to as the "RFP") was issued on August 31, 2000. The Port's primary goals for the Project are stated in the RFP's Mission Statement, as follows:

> **"The goal of this development is to create a unique and inviting waterfront mixed-use Recreation Project, integrating a varied mix of maritime and commercial uses and open space, including a major public plaza, oriented around active recreational pursuits. This mixed-use Recreation Project will provide a venue for all San Franciscans and Bay Area residents to actively participate, individually or as groups, in diverse amateur recreational sports, physical fitness and related activities while enjoying the Recreation Project's scenic waterfront setting. The major public open space, the Northeast Wharf Plaza, will be a city and regional resource. The plaza and the other open spaces included in the Recreation Project will create opportunities for engaging in and viewing active recreational activities while enjoying expansive Bay views. New opportunities for recreational boating and other water uses will be created, and maritime berthing compatible with the adjacent new uses at Pier 27 will continue, including temporary ceremonial ship berthing and 'port of call' cruise ship berthing.**
>
> **"The Recreation Project will have a quality design that is authentic to the rich historic maritime industrial character of the Northeast Waterfront. The Recreation Project will be designed to respect this character, to create a focal point for new activity on the Northeast Waterfront, and to maximize public access to and enjoyment of the Recreation Project's spectacular waterfront setting."**

B. Exclusive Negotiation Agreement with Mills

Pursuant to the RFP, on April 18, 2001, the Port Commission awarded the exclusive right to negotiate a development agreement for the Project to SF Piers 27-31, LLC, a wholly owned subsidiary of The Mills Limited Partnership (hereinafter referred to as "Mills"). The Port and Mills executed an Exclusive Right to Negotiate Agreement (hereinafter referred to as the "ENA") on June 13, 2001. The ENA was subsequently amended, including extending its term until March 31, 2006. During the term of the ENA, Mills made a number of changes to the Project's proposed site plan and use program, and Mills and Port staff negotiated financial terms for the Project. The Port Commission endorsed a development memorandum with Mills on November 9, 2004 and endorsed an amendment to this development memorandum on June 14, 2005 (collectively referred to herein as the "Development Memorandum"). The Development Memorandum included Mills' development plan and financial terms. In October 2005 the Board of Supervisors determined that the Project was not fiscally feasible and responsible under the Fiscal Responsibility and Feasibility Ordinance, Chapter 29 of the City's Administrative Code.

C. Amended ENA with SF Piers LLC

In January 2006, Mills proposed to assign its interest in the ENA and Development Memorandum to SF Piers LLC, whose members are Shorenstein Properties, LLC and Farallon Capital Management (hereinafter referred to as the "Developer"). On March 14, 2006, the Port Commission approved the assignment and the Amended and Restated Exclusive Negotiation Agreement (hereinafter referred to as the "Amended ENA") between the Port and the Developer for the development and long-term lease of the Project. Under the terms of the Amended ENA the Developer was required to submit certain documents and obtain the endorsement by the Port Commission of a revised Development Memorandum prior to September 30, 2006, the original expiration date of the Amended ENA. The Developer did not submit the required documents by the benchmark deadlines specified in the Amended ENA nor obtain the Port Endorsement Resolution by September 30, 2006 for reasons further explained below.

Since March 2006, Port staff and the Developer have been meeting regularly to discuss changes in the site plan and use program from the Mills' proposal to address community concerns that were raised during the public review process of the Mills' project. It was anticipated that the Developer would seek the Port Commission endorsement of the revised Development Memorandum by September 30, 2006. However, during the Developer's due diligence investigations, the Developer discovered significant increases in the costs to develop the Project, particularly in the substructure repair and improvement costs. In analyzing the impact of these increased costs, the Developer concluded that the Project was not feasible even with a provision for $2.1 million of rent credits for the cost of creating the Northeast Wharf Plaza open space. However, the Developer also concluded that the Project could be feasible as a public-private partnership if additional public monies were invested into the Project in addition to the private funds that the Developer would invest. Port staff and Bay Area Economics, the Port's independent real estate economics consulting firm, concurred with this conclusion.

Based on staff's recommendations, the Port Commission extended certain performance benchmarks set forth in the Amended ENA and extended the expiration date of the Amended ENA to February 28, 2007. This additional time was necessary to enable the Developer to submit its development proposal and for the parties to investigate a public financing structure and find a mutually agreeable solution to the huge substructure costs. The parties have engaged in a lengthy series of negotiation

sessions resulting in an **Amended and Restated Development Memorandum** (hereinafter referred to as the "ARDM"). This document incorporates new financial terms and other provisions negotiated by the parties.

On October 24, 2006, the Developer submitted to Port staff its development concept (dated October 23, 2006 and hereinafter referred to as the "Development Proposal"). The Development Proposal includes proposed plans, a development schedule, financial terms and strategies for obtaining a determination of trust consistency and regulatory approvals. Unfortunately, the delay in submission of the Development Proposal has significantly reduced the time for staff and the public to review it. The Development Proposal was presented to the Port Commission on October 24, 2006. On December 12, 2006, the Developer made another informational presentation before the Port Commission further outlining its ideas for the recreation program.

II. DEVELOPMENT PROPOSAL

The Developer proposes to construct a mixed-use recreation project on the Site consisting of various recreation uses, open space areas, retail, restaurants/cafes and office. The total site comprises approximately 1.1 million gross square feet of pier and water space and is located at Piers 27, 29, 29½ and 31 on the Embarcadero between Francisco and Battery Streets. The historic buildings at Piers 29 and 31, plus the Pier 29½ connector building, will be repaired and rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. These buildings will incorporate recreation uses such as soccer, bowling, roller-skating and golf, in addition to marine retail, sports retail, a special events center, meeting rooms and offices. The Developer also is evaluating the demand for, and required costs of, ice-skating, gymnastics and other uses. A new 3-level office building will be constructed at Pier 29 within the building envelope and within the zoning height limit.

The Pier 27 shed, which is not historic, will be partially removed at the southwestern end to create a new view corridor across the Northeast Wharf Plaza. The eastern end of the building will be removed and a new 3-level office building will be built and will include a destination restaurant. The remaining portion of the building will be converted to a field house/sports courts venue and will also serve as maritime support space for the Port on cruise ship days. The sports courts will accommodate multiple recreation uses such as volleyball, basketball, badminton, table tennis and indoor soccer. The southwestern end of Pier 27 will be reconfigured with glass walls and doors to integrate it with the Northeast Wharf Plaza and will be used for climbing walls and a ropes course. The historic Beltline Railroad Office will be retained, rehabilitated and converted to a casual dining spot on the Embarcadero. Additional activity-based dining will be sprinkled throughout the Project.

Outdoor recreation opportunities also will be incorporated into the Project. The Upper Plaza, which is a proposed new open space area to be built on top of the parking garage, will be used for various field sports such as soccer, lacrosse, softball, flag football and field hockey. The Marine Terrace between Piers 29 and 31 will provide additional programmed activity such as bocce, shuffleboard, beach volleyball and waterplay. The Marine Recreation Area (the water basin between Piers 29 and 31) will provide a launching facility for watercraft, including human-powered craft. A swimming pool will be included in the Project and is presently shown as a floating pool in the Marine Recreation Area.

The Project will include a significant amount of public access and open space, including the Northeast Wharf Plaza, the Waterfront Plaza to be located at the east end of Pier 27, pier aprons and accessways, indoor public access, including the Bayside History Walk, and the Upper Plaza, which will be used also for programmed recreation activities and possibly entertainment events. New view corridors that do not exist now will be created: across the south end of Pier 27, from the Embarcadero along Pier 29 through to the water, and through the Pier 29½ connector building through to the water basin.

Maritime uses will be retained and expanded at the Site, including the berthing of cruise ships, ceremonial ships and military ships at Pier 27. The Port will retain the rights to the berth, apron and flex space in the Pier 27 shed to accommodate these ships. In addition, the Developer will construct a water taxi landing, the size and location to be determined, and will have the right to berth ships (excursion boats, water taxi, ceremonial ships) on the berths at Piers 29 and 31.

Parking is proposed inside Pier 31 and inside a new garage to be built between Piers 27 and 29. Vehicles will be hidden from view. There will be on-site queuing of automobiles to alleviate congestion on the Embarcadero. Curb cuts will be reduced from eleven to two. The Site will accommodate approximately 320 parking self-park spaces or 450 valet spaces.

The Developer proposes to construct approximately 440,000 square feet of Class A office space, of which about half will be occupied long term by the Developer's member companies. Efforts will be made to seek maritime-related office tenants, including State agencies, although no commitment has been made at this time. The office space will provide the "economic engine" necessary to finance the significant costs to repair, seismically upgrade and improve this 19-acre Site.

A copy of the Executive Summary contained in the Development Proposal is attached hereto as **Attachment 2.**

A. Site Plan and Use Program

The Development Proposal presents a development plan that includes a site plan and use program. Copies of the Development Proposal Plans are attached hereto as **Attachment 3**. The use program is summarized in Table 1 below.

Table 1
Proposed Use Program

Use Program 10/23/2006	
KEY ELEMENTS	**Sq Ft**
Indoor Active Recreation	201,190
Outdoor Active Recreation (excluding Marine Recreation Area)	94,450
Outdoor Active Recreation: Marine Recreation Area	199,780
Total Active Recreation	495,420

Restaurants & Cafes	7,000
Retail	32,340
Office	439,560
Parking (450 valet spaces)	142,360
Total Programmed Space (1)	**974,320**
Total Active Recreation Space	**495,420**
% of Total Programmed Space	**50.8%**
Total Non-Programmed Space (2)	541,390
Total Space w/ NE Wharf Plaza	1,515,710
Total Space w/out NE Wharf Plaza	1,410,184

REQUIRED & ENCOURAGED USES	
Open Space & Public Access	
-- NE Wharf Plaza	105,526
-- Open Space/Public Access	261,004
Recreational Enterprises (3)	
-- Indoor Active Recreation	201,190
-- Outdoor Active Recreation (excluding Recreational Boating)	94,450
Recreational Boating & Water Use (4)	
-- Marine Recreation Area	199,780
Water Taxis	Size TBD
Total Required & Encouraged Uses	**861,950**
% of Total Space w/ NE Wharf Plaza	**56.8 %**
Total Required & Encouraged Uses without NE Wharf Plaza	**756,424**
% of Total Space w/out NE Wharf Plaza	**53.6%**

(1) **Programmed Space** means Indoor & Outdoor Active Recreation, Marine Recreation Area, Office, Retail and Restaurants.

(2) **Non-Programmed Space** means the NE Wharf Plaza, Waterfront Plaza, public access areas, Piers 29 and 31 maritime berths and ancillary parking.

(3) **Recreational Enterprises** means Indoor & Outdoor Active Recreation excluding the Marine Recreation Area.

(4) **Recreational Boating & Water Use** means the Marine Recreation Area.

PERMITTED USES	
Commercial Uses	
Office	439,560
Retail	32,340
Restaurants/Cafes	7,000
Ancillary Parking	142,360
Subtotal Commercial Uses	621,260
Maritime Uses	
Pier 31 Temporary/Ceremonial Ship Berth	32,500
Maritime Support (Pier 27 Flex Space) (5)	20,000
Total Permitted Uses	**653,760**
% of Total Space w/ NE Wharf Plaza	**43.1%**
% of Total Space w/out NE Wharf Plaza	**46.4%**
OPEN SPACE/PUBLIC ACCESS	
Leasehold Area (6)	745,724
Open Space/Public Access w/o NE Whf Plaza	261,004
% of Leasehold Area	**35.0%**
Leasehold Area + NE Wharf Plaza	851,250
Open Space/Public Access w/ NE Whf Plaza	366,530
% of Leasehold Area + NE Whf Plaza	**43.06%**

(5) Square Footage not included in calculation because this space will be used primarily for recreation and is included in Indoor Recreation above.

(6) Leasehold Area means the Project Site footprint excluding the Marine Recreation Area and Northeast Wharf Plaza.

B. Financial Terms

The Development Proposal presents a summary of proposed financial terms to be included in a lease with the Port. The major change from the financial terms contained in the original Development Memorandum with Mills is the inclusion of public monies to offset a portion of the extraordinary costs to repair and seismically upgrade the pier substructures. The Total Development Costs are estimated by the Developer to be $446 million; the Site Improvement Costs (which include substructure repairs and seismic upgrades) are estimated at $145 million, approximately a $70 million increase over the cost estimated by Mills. The proposed financial terms of the transaction as further negotiated with Port staff have been incorporated into the proposed ARDM and are summarized below in Section IV.

III. EVALUATION OF DEVELOPMENT PROPOSAL

A. Evaluation Criteria

When the ENA was assigned to the Developer, the Developer committed to providing a proposal consistent with the RFP goals, objectives and criteria, which are summarized below.

(A) Ability, Experience and Past Economic Performance

1. Ability and experience of developer and development team in successfully developing

and operating facilities similar to proposed project
2. Financial capacity of developer to successfully undertake proposed project

(B) Development Concept

1. Achievement of RFP Planning Objectives
2. Achievement of RFP Open Space Objectives
3. Achievement of RFP Design Objectives
4. Creation of Required and Encouraged Uses, and compliance with RFP use restrictions.

(C) Financial Proposal

1. Achievement of RFP Financial Objectives
2. Lease Proposal
3. Construction and development costs

(D) Project Feasibility

1. Evidence of funding availability
2. Project economics
3. Guarantee and funding arrangements to ensure timely completion of project
4. Project schedule
5. Evidence of concurrence of key subtenants
6. Risk factors

(E) Other Factors

During the evaluation process of the initial proposals, as well as during the public review of the development proposal of Mills, other significant new factors to be considered were identified by Port staff and the Port Commission:

1. Affordability of Active Recreation uses.
2. Funding for the Active Recreation uses, in particular for the anchor tenant and its facility.
3. Amount of retail uses, including restaurants and cafes, and their potential competitive impact on other nearby businesses and revenues to Port from other Port properties.
4. Potential traffic impacts generated by the Project.

B. Evaluation

Port staff have evaluated the Development Proposal based upon the above evaluation criteria. The results of Port staff's evaluation are summarized in Table 2 below.

Table 2
Summary of Evaluation

CRITERIA	EVALUATION
A. ABILITY, EXPERIENCE AND PAST ECONOMIC PERFORMANCE	
1. Ability, experience (including joint venture partners) of developer and development team ("team") to develop and operate similar facilities	PARTIALLY RESPONSIVE: Both members of the Developer entity (Shorenstein Properties, LLC and Farallon Capital Management) have extensive and recent experience developing major commercial development projects in San Francisco, including the San Francisco waterfront. However, the Developer lacks experience in developing and operating recreation facilities and has neither identified nor committed to the Recreation Operator(s).
2. Financial capability of team to successfully undertake the proposed project	VERY RESPONSIVE: Developer has demonstrated extensive financial capacity to undertake the Project and extensive experience in structuring financing for major projects.
B. DEVELOPMENT CONCEPT	
1. Achieve Planning Objectives.	RESPONSIVE: Development concept largely responsive to Planning Objectives, as follows: ▪ Creates an integrated mix of maritime, commercial, open space, and public access uses. ▪ Provides publicly-oriented commercial recreation uses that appeal to residents of the City and Bay Area. ▪ Creates venues for Active Recreation including for individual and group activities. ▪ Provides facilities for a wide variety of Active Recreation activities that respond to a variety of age groups and income levels. ▪ Activates the Northeast Waterfront with an array of uses which establish a daytime and nighttime presence, but are not primarily tourist-oriented. ▪ Provides pay-as-you go and drop-in use of facilities with no membership requirements. ▪ Affordable recreation addressed through no membership fees; activities on Upper Plaza will be available for no or nominal fees. ▪ Provides visual connection with water through new view corridors, plazas, perimeter public access, and creates physical connection

CRITERIA	EVALUATION
	with water in the Marine Recreation Basin. ▪ Provides for water taxi; has potential for excursion boats. ▪ Minimizes intensity of automobile activity by minimizing number of on-site parking spaces, providing reasonable vehicle access, reducing the number of curb-cuts and providing on-site queuing. ▪ Provides facility for swimming and related aquatic sports, but does not provide facility for skateboarders. ▪ Office areas not open to the public, but lobbies will be open to public with museum quality displays of model ships. Provides for Port's use of the Pier 27 berth for temporary berthing of cruise ships and ceremonial/military ships. However, the Developer's restrictions on the use of the berth and adjacent flex space somewhat limit the use of this berth for cruise ship operations and ceremonial berthing.
2. Achieve Open Space Objectives.	VERY RESPONSIVE: Development concept achieves all Open Space Objectives, as follows: ▪ RFP requires at least 35% of Site to be comprised of open space, including the Northeast Wharf Plaza, aprons, pier ends, valley, Bayside History Walk and other open space within the buildings, and 35% of Site (not including the Northeast Wharf Plaza) is dedicated to public access (not including the Northeast Wharf Plaza), with a well-integrated network that includes pier ends, aprons, new plazas, and connections through buildings. ▪ Proposal exceeds Open Space requirement in that 43% of Site (including the Northeast Wharf Plaza) is comprised of open space (including the Northeast Wharf Plaza). ▪ Proposes a 2-acre area and general design for the Northeast Wharf Plaza in response to the RFP. ▪ Creates unobstructed view across the Northeast Wharf Plaza and creates two other new view corridors. ▪ Creates a new Waterfront Plaza at outer end of Pier 27. ▪ Creates pedestrian passageways through and between buildings, linking the open spaces. ▪ Orients new development at Piers 29 and 31 toward the Embarcadero. ▪ Creates interaction between commercial uses and open spaces, and creates venues for periodic events. ▪ Public access areas around Marine Recreation Area activated by floating docks, floating pool and Active Recreation uses in adjacent buildings.
3. Achieve Design	VERY RESPONSIVE:

CRITERIA	EVALUATION
Objectives.	Development concept achieves all of the Design Objectives, as follows: ▪ Seismic upgrade plan exceeds current codes, consistent with upgrade plans for Pier 1 and Piers 1½ -3-5. ▪ Project will be designed to achieve federal historic tax credits, involving application of the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. ▪ New building for equipment rental in valley will enhance building edge along The Embarcadero. ▪ On-site parking facilities will be enclosed and screened from view from The Embarcadero and the Bay, and will not interfere with open space areas. ▪ Vehicle access is designed to minimize traffic congestion on The Embarcadero. ▪ Reduction of number of curb cuts from 11 to 2 will reduce pedestrian-vehicular conflicts across The Embarcadero sidewalk. ▪ On-site queuing will reduce congestion along The Embarcadero.
4. Create Required and Encouraged Uses and Comply with Use Restrictions	RESPONSIVE: Development concept complies with the RFP use restrictions. Required Uses: The RFP lists the following as Required Uses: Recreational Enterprises, Recreational Boating & Water Use, Open Space/Public Access and Temporary and Ceremonial Berthing at Pier 27. The Project incorporates all of these Required Uses. Space programmed for Active Recreation (Recreational Enterprises and Recreational Boating & Water Uses) represents just over ½ of total Programmed Space. Programmed Space consists of the Marine Recreation Area, all spaces used for indoor and outdoor Active Recreation, Office, Retail and Restaurant uses. Encouraged Uses: The RFP lists water taxis as Encouraged Use. The proposal incorporates a water taxi landing. Permitted Uses: The Project incorporates the following Permitted Uses: General Office, Retail, Restaurants, Parking, Maritime Support Services, Temporary Ceremonial Berthing at Piers 29-31 and Passenger Cruise Ships. These uses represent less than ½ of the total Programmed and Non-Programmed Space. Retail uses will be restricted to recreational retail businesses. Uses Not Permitted: None incorporated.
C. FINANCIAL PROPOSAL	

CRITERIA	EVALUATION
1. Achieve Financial Objectives.	PARTIALLY RESPONSIVE: Proposal, as more fully set forth in the ARDM, mostly achieves the Financial Objectives, as follows: ▪ Guarantees a fair market base rent. ▪ Provides Port with participation in future refinancing and sale proceeds. ▪ Developer responsible for all operating expenses. ▪ Developer responsible for all capital improvements on the Project Site, including the initial phase of Northeast Wharf Plaza. ▪ While Port would receive 50% participation in Project net cash flow (rather than gross receipts) after the Developer receives a preferred return on initial equity, the fact that the Developer will sublease a substantial portion of office space to affiliated entities could eliminate actual Participation Rent to the Port unless strong controls are included in the Lease. ▪ Port will partially offset extraordinary cost of repairing and seismically upgrading pier substructures through rent credits & tax increment financing, which was not originally envisioned in RFP.
2. Lease Proposal	RESPONSIVE: Proposal complies with the Key Lease Terms indicated in the RFP, such as proposed uses, base rent to Port, periodic cost of living adjustments, the term of lease, participation in net proceeds upon sale or transfer, funding of all capital improvements, responsibility for maintenance and operating expenses, and other terms.
3. Construction and Development Costs	PARTIALLY RESPONSIVE: Developer's cost proposal is based upon due diligence investigations by consultants having extensive experience with San Francisco waterfront development and construction. Includes cost breakdown and provides for cost escalations and contingencies.
D. PROJECT FEASIBILITY	
1. Evidence of funding availability	RESPONSIVE: Developer has demonstrated its ability to provide the private funds required for the Project.
2. Project economics as evidenced by cash flow projections	RESPONSIVE: Developer has provided cash flow projections and pro formas with reasonable assumptions, which have been reviewed by an independent real estate economics firm retained by the Port that indicate Project is financially feasible.
3. Guarantee and funding arrangements to ensure timely	PARTIALLY RESPONSIVE: Developer has agreed that a third party entity with cash assets totaling

CRITERIA	EVALUATION
completion of the project	$100 million will guarantee its obligations under the LDDA, including lien-free completion of the Project. However, the capitalization of the Guarantor may be reduced by 50% upon 50% completion of the improvements. This completion guarantee differs from guarantees that Port has executed with other developers in that the entity is not capitalized to equal the amount of total development costs and the guarantee allows for a reduction of capital during the construction period.
4. Project Schedule	RESPONSIVE: Developer has provided a comprehensive development schedule. It is very aggressive, and Port staff question some of the timeframes.
5. Evidence of concurrence of key subtenants	NON-RESPONSIVE: As of the writing of this Staff Report, Developer has not submitted letters of intent nor identified who the Active Recreation Operator(s) will be. This benchmark is proposed to be delayed to June 30, 2007. See Section V. of the Staff Report. Port staff is informed that the Developer has been in active negotiations with an experienced recreation operator, City Beach, but no formal agreement has been reached.
6. Risk factors, including	
a. Overall development risk	MEDIUM RISK: The proposed Project is complex, but the Developer and the development team have the variety of skills and experience required to undertake the Project.
b. Entitlement risk	HIGH RISK: Public Trust: The high risk of the Project pertains to public trust issues. The development program includes a mix of maritime, public access/open space and commercial uses. Of the commercial uses, general office is not considered a public trust use by the State Lands Commission. Some of the recreation uses also are not considered to be trust-consistent. CEQA: Much of the preliminary CEQA study was completed by Mills. The Developer and the development team have extensive experience with the CEQA process. The major environmental issues are expected to involve traffic, circulation and parking.
c. Financial risk	MEDIUM RISK: Developer has the financial capacity to undertake the Project. However, the return is low from the Developer's perspective. For the

CRITERIA	EVALUATION
	Project to be feasible will require an infusion of public monies, including tax increment generated by the Project.
d. Market risk	LOW RISK: The "economic engine" of the Project is provided by office. The members of the Developer are expected to occupy approximately ½ of the office space for their national headquarters, thus significantly mitigating the market risk for the office space. Moreover, the Developer has extraordinary experience with the San Francisco office market, and its rental projections are consistent with the market rents for San Francisco waterfront office space. The Project includes a minimal amount of retail and restaurant space, and the projected rents for these uses appear reasonable.
e. Operating risk	LOW RISK: The Developer has extensive experience managing major commercial projects in San Francisco, particularly premium office projects. While the Active Recreation Operator has not been finalized, Port staff believe (and will require) that the Developer will select an operator with extensive experience operating commercial recreation facilities.
E. OTHER FACTORS	
1. Affordability of Active Recreation uses	PARTIALLY RESPONSIVE: All Active Recreation uses will be provided on a pay-as-you-go basis, and all Active Recreation activities on the Upper Plaza will be available for no or nominal fees. While the Developer has not committed to a recreation operator with an established program promoting affordability goals, the Developer has committed to providing and widely promoting affordable, pay-as-you-go active recreation. Membership in a club will not be required and there will be no membership fees. Use of the Upper Plaza will be free to the public except during dates and times when it is reserved by particular leagues or groups and those fees will be limited to direct costs for maintenance, equipment and management. There will be discounts for school groups. Users will not be required to own expensive equipment because Developer will provide for rental of recreational equipment. Developer needs to submit information concerning the affordability program in the Marine Recreation Area.
2. Funding for the Active Recreation uses, in particular for the anchor tenant and its facility	RESPONSIVE: Developer will be responsible for constructing the core and shell improvements for indoor Active Recreation uses and for constructing the outdoor Active Recreation uses.

CRITERIA	EVALUATION
3. Potential competitive effect on other commercial activities and revenues to Port from other Port properties	RESPONSIVE: Project is not expected to have a detrimental competitive effect on other commercial activities in the vicinity nor on other Port revenue sources. The major commercial component –office space – is expected to be among the most premiere office locations in the City, which should in fact increase the rents for offices on Port property and in the Northeast Waterfront. Approximately half of the office space will be pre-leased to the Developer. The amount of restaurant and retail space is limited in size, and retail is restricted to recreation retail.
4. Potential traffic impacts generated by the Project	RESPONSIVE: Preliminarily, the proposed development plan is expected to generate less trips per day than the more retail-oriented Mills project.

C. Conclusions

The Development Proposal is evaluated to be responsive as to financial capability of the development team and as to the development concept in terms of incorporating required and encouraged uses. It is also responsive in achieving planning, open space and design objectives. The ARDM incorporates key lease terms required in the RFP.

The Development Proposal is evaluated to be less than fully responsive regarding the Active Recreation Operator because an operator has not been identified, the recreation program is not finalized and the affordability program is not fully defined. More information is required about the proposed operation of the Active Recreation uses and who or what entities will operate them and about the affordability program in the Marine Recreation Area. If staff's recommendation to amend the ENA benchmark is approved by the Port Commission, the Developer will have until June 30, 2007 to submit this information to the Port. It is expected that the Developer will comply with the proposed new deadline and that the Development Proposal will be Responsive to this criterion.

The Development Proposal is evaluated to be less than fully responsive to the Financial Objectives in the RFP because of the amount of public monies that have been identified to be necessary to make the Project feasible. The only public monies originally offered in the RFP were rent credits against 50% of the initial annual Base Rent to reimburse the developer for the cost of creating the first phase improvements to the Northeast Wharf Plaza. The public monies being proposed now (additional rent credits, bond proceeds and excess tax increment) would reimburse the Developer for a portion of the costs to repair and seismically upgrade the pier substructures. This required work to the pier substructures in effect establishes the platform upon which historic preservation and the development program can take place. It represents work necessary to make these Port lands – which in the case of piers are submerged lands -- developable. The cost of this work, unique to piers, causes the site improvement costs to be extraordinarily high, which is particularly problematic for the Project due to its very low floor area ratio.

IV. AMENDED AND RESTATED DEVELOPMENT MEMORANDUM

The original Development Memorandum was assigned to the Developer in March 2006 with the condition that it be amended to reflect the structure of the Developer's new Development Proposal. For the past several months, the Developer and Port staff have been negotiating revisions to the original Development Memorandum. The Amended and Restated Development Memorandum ("ARDM") reflects these mutually agreed-upon revisions. The ARDM sets forth the basic elements of the Project, site plan, use program, economic parameters and fundamental deal terms that will serve as the basis for negotiation of the Lease Disposition and Development Agreement (LDDA) and the Lease with the Port. The salient terms, as negotiated between the Developer and Port staff, are summarized in Table 3 below. A copy of the ARDM is on file with the Commission Secretary.

Table 3
Proposed Terms of the
Amended and Restated Development Memorandum

LDDA TERMS	Provision
Project Site	Pier 27, Pier 29, Pier 29½, Pier 31, the water basin between Piers 29 and 31, plus the maritime berths along the north apron of Pier 31, the east apron of Pier 29 and the south apron of Pier 27, plus the Northeast Wharf Plaza located adjacent to Pier 27.
The Project	Developer will develop a mixed-use recreation project in substantial consistency with the Development Proposal Plans attached hereto as **Attachment 3**. Project will include Phase 1 improvements of the Northeast Wharf Plaza required under BCDC Special Area Plan. Developer will prepare the Site and construct the Project, at no cost to Port or City except for the Public Monies described below, within the times and in a manner set forth in a schedule of performance to be negotiated as part of the LDDA.
Regulatory Approvals	Developer will be responsible for obtaining, at no cost to the City or Port, all Regulatory Approvals and pay the costs of any on- or off-site mitigation measures or conditions imposed by other agencies. Port will assist Developer in seeking the Fiscal Feasibility determination and endorsement of the terms of the ARDM by the Board of Supervisors
Condition of Site	Developer accepts Site in "as is" condition; Port will deliver the Site free of all liens, easements, taxes, assessments, tenants and occupants.
Active Recreation Operator	Prior to Port's approval of the LDDA, Developer will enter into one or more subleases or operating agreements with one or more Active Recreation Operators to construct, operate, manage and maintain, at no cost to the Port, recreational facilities consistent with the uses described under the Lease terms below, and Developer must ensure continuous operation of all recreation areas for recreation uses.

	By the benchmark deadlines described in Section V. of this Staff Report regarding the Fourth Amendment to the Amended ENA, Developer will define its program for operation of the Active Recreation Areas, including its selection of one or more Active Recreation Operators, conduct at least one public workshop regarding the recreation program and obtain a Port Commission Endorsement of the Active Recreation Program. Developer will have reasonable discretion to relocate recreation uses within the Site so long as the total mix of recreation uses and the total area dedicated to such recreation uses remain consistent with the Active Recreation Program endorsed by the Port Commission (and is consistent with any BCDC requirements, the public trust consistency approval and other Regulatory Approvals). Developer also is required to provide and widely promote affordable, pay-as-you-go Active Recreation in the Active Recreation Areas by implementing the following: (1) no membership will be required in any club; (2) free use of the Upper Plaza will exist except during times when it is reserved in advance for use by leagues or other users; fees may be charged for leagues, limited to direct costs to cover maintenance, overhead, equipment and scheduling; (3) Upper Plaza fees will be discounted for school groups; and (4) users will not be required to own expensive equipment as Developer will provide rental of recreational equipment. Compliance with this affordability requirement will be a material obligation of Developer under the Lease and/or a Management Agreement.
Completion Guarantee	Developer to guarantee lien-free completion of the Project and other obligations under the LDDA through a controlled third-party entity having cash assets totaling $100 million, which capitalization may be reduced by 50% after half of the improvements have been constructed.
Closing Costs	Developer shall pay all costs associated with the closing of escrow for the Lease.
BASIC LEASE TERMS	**Provision**
Premises	The Lease Premises will consist of those areas in the Project Site that are not eligible to receive tax-exempt bond proceeds (as further explained under Public Monies below). During the

	LDDA/Lease negotiations the parties will clarify these areas. Generally, the Premises will consist of Piers 29, 29½, 31, Pier 27 shed, the parking garage area in P27-29 valley and the maritime berths at Piers 27, 29 and 31, except as reserved by Port (see Reservation of Rights below). The Premises description is subject to change. The remaining areas of the Project Site which are eligible to receive tax-exempt bond proceeds will be designated as Public Areas. They cannot be leased to the Developer for tax reasons related to the public financing, but they will be included as part of the construction scope of work and for the continuing maintenance obligation throughout the term of the Lease.
Reservation of Rights	Port reserves the Pier 27 berth and apron for berthing of cruise ships, ceremonial ships and military ships. It also reserves the non-exclusive right to use a portion of the Pier 27 shed flex space as support for cruise ship docking.
Berthing Restrictions	Cruise Ships: Port's use of the Pier 27 berth is limited to 24 days/year; additional time is allowed for use of the apron and P27 flex space for cruise ship preparations and support. Ceremonial/Military Ships: Port's use of the berth is limited to 30 days/year; ships are to be docked within the southernmost 735 feet of the apron for all but 5 of those days.
Length of Lease Term	66 years
Required Uses	Indoor Active Recreation Uses: No less than 200,000 sq ft Outdoor Active Recreation Uses: 94,000 sq ft, including approx. 90,000 sq ft for the Upper Plaza in P27-29 valley Active Recreation uses (excluding open water areas) may not comprise less than 50% of total Programmed Space within the Site Marine Recreation Area; 200,000 sq ft, programmed for marine recreation activities Public Access and Open Space: No less than 35% of the Site (not including open water areas or the Northeast Wharf Plaza) Water Taxi Landing: size & location TBD Transient Berthing for recreational boats in the Marine Recreation Area Accessory Parking: 142,000 sq ft combined total, located in Pier 31 and in P27-29 valley in new garage to be constructed; short-term parking; approx. 323 self-park or 450 valet spaces.
Permitted Uses	Retail: No more than 40,000 sq ft, of which a maximum of 15,000 sq ft may be Restaurant uses, plus 5,000 sq ft for kiosks & carts. *Retail* is defined as specialty retail uses that sell goods primarily related to recreation, as well as destination restaurants/cafes. Office: No more than 440,000 sq ft

	Berthing of Vessels at Piers 29-31: excursion vessels, historic ships, ceremonial ships, naval ships
Construction Period Rent to Port	$1.2 million per annum, commencing upon close of escrow.
Base Rent to Port	$2.4 million per annum, commencing upon earlier of project opening or 30 months from close of escrow ("Rent Commencement Date").
CPI Increases in Base Rent	Every 5 years following Rent Commencement Date (each 5-year increase bounded by minimum of 10% and maximum of 20%).
Participation Rent to Port	50% of net cash flow from Project after Developer receives 11% preferred return on initial equity investment. Public monies (federal historic tax credits, net bond proceeds, excess tax increment and rent credits) reduce initial equity investment, thereby lowering the threshold for Participation Rent.
Port Participation in net proceeds from sale of leasehold	10% (15% after Year 20) of net sale proceeds.
Port Participation in net proceeds from refinancing private debt secured by leasehold	10% (15% after Year 20, and 5% after Year 50) of net refinancing proceeds.

Public Monies

Federal Historic Preservation Tax Credits	Developer plans to seek historic tax credits and will be entitled to retain 100% of the credits.
Rent Credits	Due to the severely deteriorated condition of the pier substructures and aprons, Developer will receive total fixed rent credits of approximately **$13.2-$13.8 million**, depending on length of construction period and actual CPI increases. (Net present value of fixed rent credits at commencement of lease is approx. $9.2 million @ 6% per annum discount rate). Rent credits will be applied against Base Rent during the construction period and for 10 years after Rent Commencement. See the attached Rent Credit Analysis attached hereto as **Attachment 4**. In addition, Developer may receive additional rent credits of up to **$4 million** (referred to as "Contingent Rent Credits" in the ARDM) in the event that the initial net bond proceeds fall short of $60 million. If Contingent Rent Credits are granted, they (i) may not be used until the 13th year of the Lease, (ii) apply only against the amount of rent above $1.4 million as adjusted by Base Rent adjustments, and (iii) accrue at a simple

	interest rate of 6% per annum from the date of the bond proceeds shortfall.

Summary of Tax Increment Financing (City Public Monies)

Port and Developer have identified additional unanticipated Project costs approximating $70,000,000, which costs are directly related to the extraordinary repair and seismic upgrading of the severely deteriorated pier substructures. This work must be done as a precursor to the development of the anticipated Project uses.

To fund a portion of these additional infrastructure costs, the parties, with assistance from economics and public finance consulting firms, bond counsel and tax advisers, have negotiated a public financing structure utilizing certain public financing sources based on property tax increment revenues (possessory interest taxes on the Project leasehold) and Mello-Roos special tax revenue generated by a Mello-Roos community facilities district formed by the Developer over the Project leasehold. The transaction is structured to minimize net costs to the Port's harbor fund or to the City's General Fund.

This *Summary* outlines the basic financing structure for utilization of public monies. In structuring these terms, the parties have made the following assumptions: (1) that the completed Project will be assessed at a minimum of $450 million; (2) that based on this assessment and certain bond market assumptions there will be sufficient tax increment to issue $60 million in tax-exempt bond proceeds (combined between Port revenue bonds and Mello-Roos bonds); (3) that the Project will include at least $60 million of eligible public infrastructure improvements; (4) that the bonds will have a 37-year amortization period. Many factors will affect the Port's ability to achieve the public financing amounts targeted in the ARDM, including the amount of tax increment generated by the Project, the timing of issuance of the bonds in relation to the formation of the IFD, the amount of eligible public infrastructure improvements, interest rates and other market factors. Nevertheless, Port staff and Developer, in consultation with their expert advisers, have used their best efforts to arrive at these assumptions.

The key component of the proposed public financing is the formation of an Infrastructure Financing District ("IFD"). An IFD is an entity created by a vote of landowners within a certain district that is authorized under State law to finance infrastructure (including, specifically, seismic rehabilitation and improvements to piers, seawalls and wharves) using a portion of the property tax increment generated by development within the district, to the extent the public entities that normally would receive that tax increment agree to such an allocation. In this case the district will be the Project Site (and may include other Port property at Port's sole discretion, in which event the tax increment and other calculations will be prorated based on all tax increment allocable to the Project Site only). The IFD, intended for an extended life of 40 years, will be established at the time the Board of Supervisors approves the Lease for the Project. At that time the Board of Supervisors also will agree to allow for the City and County's share of the possessory interest tax generated by the development to flow to the IFD. Under current law, 65% of the tax increment (not including taxes levied to pay general obligation bond debt service) would flow to the IFD, and the remaining 35% would go to other local taxing entities and the State (i.e., BART and the school district).

The current proposal contemplates the leveraging of the tax increment revenue stream using

various bond financing transactions. The first is a series of revenue bonds, to be issued by the Port. Upon its establishment, the Board of Supervisors will pledge the tax increment revenues from the IFD to the Port's harbor fund to pay debt service for the Port revenue bonds to finance designated public infrastructure. The Port will issue revenue bonds, secured by the harbor fund and backed by a pledge of the tax increment received from the IFD, and use 100% of the net proceeds of that bond issuance to reimburse the Developer for eligible public infrastructure improvements. The size of the Port revenue bond issuance will be set at an amount for which debt service and coverage requirements can be satisfied by the tax increment transferred from the IFD so that the harbor fund's revenues will not be burdened by debt service and coverage requirements on the revenue bonds.

To the extent that there are additional projected tax increment revenues left over after the harbor fund is reimbursed for all costs of the Port revenue bonds, such additional tax increment will be leveraged through the formation of a Mello-Roos community facilities district "(CFD") and the issuance of related Mello-Roos bonds to contribute additional funds to reimburse Developer for its costs of eligible public infrastructure improvements. The Mello-Roos district boundaries will be coterminous with the Project Site. Mello-Roos bonds are secured by the pledge of a special tax to be levied on the property located within the district. Unlike most Mello-Roos bonds, however, debt service on these bonds will first be paid from a secondary pledge of tax increment available after payment of all costs of debt service and reserves relating to the Port revenue bonds in a given year. If such amounts are not sufficient to satisfy the Mello-Roos bond debt service requirements in that year, then the special tax will be levied to pay Mello-Roos bond debt service. As with the revenue bonds, the Mello-Roos bonds will be sized in a principal amount for which debt service and required reserves can be satisfied by the projected available tax increment revenues (in the case of the Mello-Roos bonds, available tax increment means the tax increment in excess of that needed to pay annual costs of the Port revenue bonds).

The CFD also will be structured to allow for additional special taxes to be levied in the event that (a) the initial assessed value of the leased Premises is less than $450 million, which is the anticipated Project assessed value on completion of improvements (based on the value of the Lease of the unimproved Premises together with the estimated development cost of Project improvements) or (b) after the issuance of the bonds there is a later reduction in the assessed value of the leased Premises such that there is a shortfall in the amount of tax increment received by the Port from the IFD necessary to pay debt service on the Port revenue bonds. In the event tax increment is available after paying all other required obligations, the Developer will be entitled to such available tax increment on a pay-as-you-go basis for qualified Project infrastructure improvements.

Prior to issuance of the bonds, any tax increment that is generated from the Project prior to close of escrow will go to the Port to be used in any manner allowed under the IFD law. Tax increment generated from close of escrow until issuance of the bonds will be paid to Developer for qualified Project infrastructure improvements.
If the total combined tax-exempt bond proceeds do not reach $60 million, the Port will be obligated to reimburse the Developer for the shortfall, up to a maximum of $4 million, except that if on the bond issuance date the tax increment is less than would have been generated if the assessment had been $450 million, there will be no shortfall protection. The Port may

reimburse Developer for the shortfall either through excess bond proceeds obtained through refinancing or by granting Developer additional rent credits (referred to as Contingent Rent Credits in the ARDM), or any other method it deems appropriate.

If the total combined tax-exempt bond proceeds exceed $60 million, the Port will be entitled to receive all of the excess, up to a maximum of $4 million ("Port's Share), which the Port may use for Port's eligible public infrastructure improvements. If the Port issues the bonds later than the target date specified in the agreement, the target amount of $60 million will be increased at a compounded interest rate of 6% per year, prorated from the target date.

It is anticipated that most if not all of the bonds will be tax-exempt. Tax-exempt bonds can be used only to finance the public areas on the Project Site ("eligible public infrastructure improvements"). Because Developer plans to obtain federal historic preservation tax credits on the historic portions of the Site (Piers 29, 29½, 31), tax-exempt bond proceeds cannot be used for these areas. These two restrictions limit application of tax-exempt bond proceeds to improvement costs of the public areas at Pier 27.

If the bonds are refinanced (at Port's sole discretion) and excess bond proceeds are produced, the excess proceeds shall be paid as follows: (a) the first 5% to Port; (b) up to 95% to Developer to reimburse it for any shortfall in bond proceeds; then (c) up to 100% to Port for the unpaid portion of Port's Share; and then (d) split 50/50 between the parties to the extent proceeds are payable to Developer for reimbursement of eligible public infrastructure improvements.

Notwithstanding all of the above, it should be noted that the parties have not yet reached agreement on two significant issues that impact many aspects of the above structure. First, Developer wants the Port to extend the shortfall protection of up to $4 million in the situation where the Project does not include $60 million of public infrastructure improvements that can be supported from the proceeds of tax-exempt bonds. The parties still need to negotiate whether and on what terms any bond proceeds shortfall will be increased or decreased by the amount by which the actual bond proceeds that the developer can use on eligible public infrastructure improvements falls short of $60 million or any amount resulting from an obligation of Port to issue a certain ratio of taxable bonds in order to enable the Developer to use such bond proceeds for improvements where tax-exempt bonds cannot be used. Second, Port seeks protection that the Project will be completed and assessed at no less than $450 million and that such assessment will occur within the requisite time needed to issue bonds having no less than a 37-year maturity to provide greater assurance that the $60 million of tax-exempt bond proceeds can be generated. Further investigation and analysis are required before these issues can be appropriately addressed, so the parties have agreed to defer resolution of these two issues to the LDDA/Lease negotiations.

Maintenance & Repairs	Developer will be solely responsible for all maintenance, repairs and operating expenses on the Premises and Public Areas, including the substructure and all capital improvements. These areas are to be maintained and operated in a manner consistent with standards for first-class mixed-use recreational/retail/office projects in San Francisco, subject to further definition in the Lease of the first-class standards applicable to the substructure.

Other Terms	The Lease will contain provisions addressing insurance and indemnification obligations, assignment and subletting, the security deposit, all City Requirements, and many other provisions that are included in the Port's standard ground leases.

Conclusions

Based upon the projected costs to repair and seismically upgrade the pier substructures, the Developer and Port staff negotiated the public financing structure set forth above to partially offset these costs. Early on, Port staff established the following criteria for this public financing:

1. It must support and not compromise the Port's economic sustainability as a self-supporting enterprise agency, and it must build upon the existing financial terms established in the original Development Memorandum.
2. It should not create a financial burden for the Port, the City or the State, for whom the Port acts as trustee in managing the public trust lands in its jurisdiction.
3. It must enable the Project to be financially feasible as a public-private partnership, attracting investment of private funds necessary to preserve, rehabilitate and reuse Piers 27-31.

The basic framework of the public financing structure, as set forth in the ARDM, satisfies these criteria, except for the Contingent Rent Credits which the Port may grant. In particular, except for historic tax credits which will be granted by the federal government to offset some of the historic preservation costs, all of the public monies will be generated by the Project itself – either through credits against rent that would otherwise be paid to the Port, or from the tax increment created by the Project and paid by its occupants. The Port will receive guaranteed Base Rent from Piers 27-31 net of rent credits, and the investment of public monies into the Site infrastructure will lower the threshold for Participation Rent due to the Port.

V. FOURTH AMENDMENT TO AMENDED ENA

As part of the negotiation of the ARDM, the parties also have negotiated revisions to the Amended and Restated Exclusive Negotiation Agreement ("Amended ENA"), as follows:

A. Negotiating Fees

Currently under the Amended ENA, the Developer is required to pay $250,000 in Negotiating Fees to the Port as follows:

1	$25,000	Prior to Port's execution of the ENA
2	50,000	10 days after Port Endorsement Resolution
3	50,000	10 days after Board Endorsement Resolution
4	50,000	10 days after certification of the EIR
5	75,000	10 days after execution of the LDDA
	$250,000	

The parties propose to amend the above schedule as follows:

1	$25,000	Prior to Port's execution of the ENA
2	25,000	10 days after Port Endorsement Resolution

3	25,000	10 days after Board Endorsement Resolution
4	25,000	10 days after certification of the EIR
5	25,000	10 days after execution of the LDDA
6	125,000	10 days after occurrence of all 3 of the following events: Port endorsement, Board endorsement & determination of trust consistency
	$250,000	

Under this amended schedule the Negotiating Fees will be paid in two phases, a certain amount after the occurrence of the event specified above and the remaining amount after all of the following conditions are satisfied: (i) the Port Commission has endorsed the ARDM, (ii) the Board of Supervisors has endorsed the ARDM, and (iii) the Developer has procured a public trust consistency determination for the Project. If all of these conditions are not satisfied the Port will not receive the full amount of its Negotiating Fees.

B. Transaction Costs

Currently under the Amended ENA, the Developer is required to reimburse the Port in full for the Port's Transaction Costs, which costs include In House Costs (Port staff time and Port/City attorney fees) and Outside Costs (consultants and outside legal counsel).

The parties propose to amend these provisions as follows:

For In House Costs the Developer will pay the Port fifty percent (50%) of the In House Costs as they are incurred and the remaining fifty percent (50%) after all of the following conditions are satisfied: (i) the Port Commission has endorsed the ARDM, (ii) the Board of Supervisors has endorsed the ARDM, and (iii) the Developer has procured a public trust consistency determination for the Project. If all of these conditions are not satisfied the Port will not receive the remaining fifty percent (50%) of its In House Costs. From and after the date that all of these events have occurred, the Developer is required to pay the In House Costs in full.

For Outside Costs the Developer will remain responsible to reimburse the Port in full for the Port's consultant fees and outside legal counsel fees as they are incurred.

The purpose of these revisions from the Developer's perspective is to better align the interests of the Port and the Developer toward the timely and successful implementation of the Project. If the parties are successful, the Port will be fully reimbursed; if the Project fails, then the Port will bear some of the loss. These terms are considered an essential part of the Developer's agreement to the terms of the ARDM.

C. Active Recreation Operator (Benchmark #8)

Currently under Benchmark #8 of the Amended ENA, the Developer is required to identify its active recreation operator or operators, submit letters of intent, describe the proposed active recreation program and terms of the operating agreement, and describe how it will provide opportunities for affordable recreation. The original deadline for this Benchmark was September 1, 2006. It was extended to October 16, 2006 and extended again to November 3, 2006. According to the Developer, it has not met this Benchmark because it is still interviewing and negotiating with recreation operators and formulating its plans as to how the recreation program will be operated.

The parties propose to amend this requirement as follows:

Benchmark #8A:
Prior to April 16, 2007, Developer will submit to Port a "Preliminary Recreation Plan" describing the mix of active recreation uses, locations within the Project of such uses (including the Marine Recreation Area), the likely Active Recreation Operator(s), the terms of Developer's agreement with such operator(s), and the nature of the opportunities for affordable active recreation uses.

Benchmark #8B:
In April, May and June 2007, the Developer will hold at least one public workshop with the Port Commissioners to receive feedback, incorporate changes, address neighborhood concerns and finalize the recreation program. All interested stakeholders, community groups and neighborhood associations will be invited to attend and participate in the workshop(s).

Benchmark #8C:
Prior to June 30, 2007, after taking into consideration public input and Port Commission feedback given during the workshop(s), the Developer is required to submit its final "Active Recreation Program," which will include a complete description of the mix and location of the active recreation uses within the Project (including the Marine Recreation Area), letter(s) of intent signed by the Developer with the relevant experienced Active Recreation Operator(s), proposed terms of the operating agreement(s), a commitment by the operator(s) to provide opportunities for affordable recreation, and the precise methods through which the active recreation uses will be made affordable.

Benchmark #8D:
Prior to July 31, 2007, the Developer must obtain a resolution by the Port Commission endorsing the Active Recreation Program. Failure to do so will constitute an incurable default under the Amended ENA.

All of the amendments discussed in Sections A., B., and C. above have been incorporated into the Fourth Amendment to the Amended ENA, a copy of which is on file with the Commission Secretary.

VI. STAFF RECOMMENDATION

Port staff hereby request that the Port Commission (1) endorse the Amended and Restated Development Memorandum, direct the Executive Director to forward the same to the Board of Supervisors for endorsement in accordance with the Amended ENA, and authorize the Executive Director to execute the ARDM upon endorsement of the same by the Board of Supervisors, and (2) approve the Fourth Amendment to the Amended and Restated Exclusive Negotiation Agreement and authorize the Executive Director to execute the same.

Prepared by: Jennifer Sobol, Project Manager
Planning & Development

Attachments

1 Piers 27-31 Site Plan
2 Executive Summary of Development Proposal
3 Development Proposal Plans
4 Rent Credit Analysis

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-03

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, The Port Commission at its March 14, 2006 meeting, by Resolution No. 06-21, approved the assignment of the Exclusive Right to Negotiate Agreement and related documents, including the Development Memorandum, from SF Piers 27-31, LLC (as Assignor) to SF Piers, LLC, a Delaware limited liability company (as Assignee); and

WHEREAS, The Port Commission at its March 14, 2006 meeting, by Resolution No. 06-22, approved the terms of an Amended and Restated Exclusive Negotiation Agreement ("Amended ENA") between the Port and SF Piers LLC (herein the "Developer"); and

WHEREAS, The Port Commission at its December 12, 2006 meeting, by Resolution No. 06-91, approved the extension of the term of the Amended ENA to February 28, 2007; and

WHEREAS, Under the terms of the Amended ENA, the Developer is required to obtain Port Commission endorsement of a revised Development Memorandum prior to the expiration date of the Amended ENA; and

WHEREAS, The Developer has submitted a new and revised Development Proposal for the Piers 27-31 Mixed-Use Recreation Project, as described in the Memorandum to Port Commissioners dated January 4, 2007 for Calendar Item No. 7A (the "Staff Report"). Copies of the Development Proposal and the Staff Report are on file with the Commission Secretary and are incorporated herein by this reference; and

WHEREAS, Based on the revised Development Proposal submitted by the Developer, the parties have negotiated new deal terms and incorporated them into a revised development memorandum (herein referred to as the "Amended and Restated Development Memorandum"), as described in the Staff Report. A copy of the Amended and Restated Development Memorandum is on file with the Commission Secretary and is incorporated herein by this reference; and

WHEREAS, Port staff recommends to the Port Commission that it endorse the terms of the Amended and Restated Development Memorandum in substantially the form on file with the Commission Secretary, direct the Executive Director to forward the same to the Board of Supervisors for endorsement in accordance with the Amended ENA and authorize the Executive Director to execute the Amended and Restated Development Memorandum upon endorsement of the same by the Board of Supervisors; now, therefore, be it

RESOLVED, That the Port Commission hereby endorses the Amended and Restated Development Memorandum; and be it further

RESOLVED, That the Port Commission hereby directs the Executive Director, or her designee, to forward the Amended and Restated Development Memorandum to the Board of Supervisors for endorsement in accordance with the Amended ENA; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director of the Port, or her designee, to execute the Amended and Restated Development Memorandum, in substantially the form on file with the Secretary for the Port Commission upon endorsement of the same by the Board of Supervisors; provided that, the Port Commission hereby requires the Executive Director, prior to executing the Amended and Restated Development Memorandum, to bring back the same to the Port Commission for reconsideration if the Board of Supervisors fails to endorse it or proposes material modifications to it; and be it further

RESOLVED, That the Port Commission's authorizations granted in this Resolution are based on the understanding that the final terms and conditions of any lease disposition and development agreement, lease or related documents negotiated between the Port and the developer during the exclusive negotiation period will be subject to the approval of the Port Commission; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of documents in consultation with the City Attorney, as are necessary or advisable to effectuate the purpose and intent of this Resolution, so long as such actions and/or agreements do not materially increase the Port's anticipated obligations or decrease the Port's anticipated benefits and are consistent with this Resolution; and be it further

RESOLVED, That entering into the Amended and Restated Development Memorandum does not commit the Port Commission to approval of a final lease, lease disposition and development agreement or related documents, and that the Port Commission shall not take any discretionary actions committing it to the Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 9, 2007.

Secretary

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-04

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, The Port Commission at its March 14, 2006 meeting, by Resolution No. 06-22, approved the terms of an Amended and Restated Exclusive Negotiation Agreement ("Amended ENA") between the Port and SF Piers LLC, a Delaware limited liability company (herein the "Developer"); and

WHEREAS, The Port Commission at its September 26, 2006 meeting, by Resolution No. 06-44, approved the extension of the term of the Amended ENA to October 31, 2006, approved the extension of the deadlines for Benchmarks #1, 2, 5, 6, 7, 8 and 9 and authorized the Executive Director of the Port to execute the First Amendment to the Amended ENA; and

WHEREAS, The Port Commission at its October 24, 2006 meeting, by Resolution No. 06-77, approved the extension of the term of the Amended ENA to December 31, 2006, approved the extension of the deadlines for Benchmarks #1, 2, 5, 6, 7, 8 and 9 and authorized the Executive Director of the Port to execute the Second Amendment to the Amended ENA; and

WHEREAS, The Port Commission at its December 12, 2006 meeting, by Resolution No. 06-91, approved the extension of the term of the Amended ENA to February 28, 2007 and authorized the Executive Director of the Port to execute the Third Amendment to the Amended ENA; and

WHEREAS, Port staff and the Developer wish to further amend the Amended ENA to (i) revise the schedule for payment of negotiating fees by the Developer; (ii) revise the terms for payment of the Port's transaction costs; and (iii) revise Benchmark #8 pertaining to the Active Recreation Operator, all as described in the Memorandum to Port Commissioners dated January 4, 2007 for Calendar Item No. 7B (the "Staff Report"). Copies of the Fourth Amendment to the Amended ENA reflecting these revisions and the Staff Report are on file with the Commission Secretary and are incorporated herein by this reference; and

WHEREAS, Port staff recommends to the Port Commission that it approve the Fourth Amendment to the Amended ENA and authorize and direct the Executive Director to execute the same, in substantially the form on file with the Commission Secretary; now, therefore, be it

RESOLVED, That the Port Commission hereby approves amendments to the Amended ENA to (i) revise the schedule for payment of negotiating fees by the developer; (ii) revise the terms for payment of the Port's transaction costs; and (iii) revise Benchmark #8 pertaining to the Active Recreation Operator, as reflected in the Fourth Amendment to the Amended ENA on file with the Commission Secretary; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to execute the Fourth Amendment to the Amended ENA, in substantially the form on file with the Commission Secretary, with the understanding that the final terms and conditions of any lease disposition and development agreement, lease or related documents negotiated between the Port and the developer during the exclusive negotiation period will be subject to the approval of the Port Commission; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of documents in consultation with the City Attorney, as are necessary or advisable to effectuate the purpose and intent of this Resolution, so long as such actions and/or agreements do not materially increase the Port's anticipated obligations or decrease the Port's anticipated benefits and are consistent with this Resolution; and be it further

RESOLVED, That the Port Commission, pursuant to Section 7.2 of the Amended ENA, hereby authorizes the Executive Director of the Port, or her designee, to waive or extend the times for performance of the Performance Benchmarks (as defined in the Amended ENA), including, without limitation, the right to condition such waiver or extension on additional Performance Benchmarks or other conditions required by the Port in its sole discretion, provided that such extension does not extend the Term of the Amended ENA; and be it further

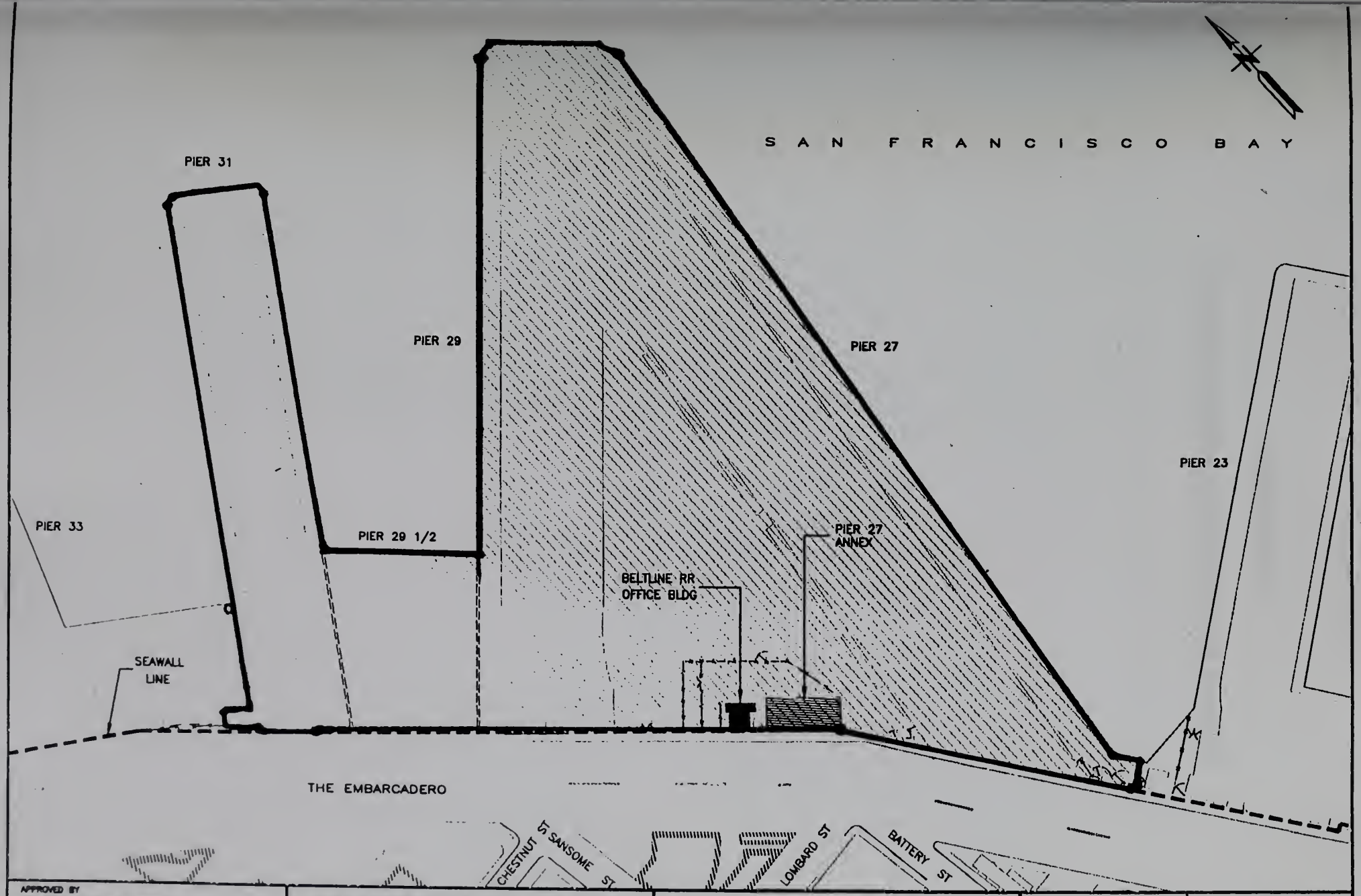
RESOLVED, That entering into the Fourth Amendment to the Amended ENA does not commit the Port Commission to approval of a final lease, lease disposition and development agreement or related documents, and that the Port Commission shall not take any discretionary actions committing it to the Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 9, 2007.

Secretary

Attachment 1

Piers 27-31 Site Plan



APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE

CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PIERS 27–31 SITE PLAN

DRAWN BY: ECC	DATE: OCT 1, 1999
CHECKED BY	SCALE: NONE
DRAWING NO.	SHEET NO. OF SHEETS

F:\MICROFILM\...

Attachment 2

Executive Summary of Development Proposal

Executive Summary

Introduction

SF Piers LLC is pleased to submit this Development Proposal to the Port of San Francisco and is privileged to have the opportunity to make such a significant contribution to our own city. The essence of this proposal is to provide:

- Repair & Rehabilitation – The damaged infrastructure of Piers 27-31 will be repaired and upgraded to current seismic standards. The historic sheds on Piers 29 and 31 and the Beltline Railroad Building will be rehabilitated in accordance with the *Secretary of the Interior Standards*, as administered by the State Historic Preservation Office and the National Park Service.

- Public Benefit – The 19 acres atop the piers will incorporate more than 450,000 s.f. of open space improvements and other public benefits including:
 - View Corridors
 - Traffic Controls
 - Water Taxi Landing
 - Northeast Wharf Plaza
 - Upper Plaza
 - Waterfront Plaza
 - Children's Playstructure
 - Perimeter Apron Access
 - Bayside History & Port Walks
 - Public Lobbies

- Recreation — Approximately 500,000 s.f. of diversely programmed and affordable recreation space will be created on the piers – 200,000 s.f. indoor and 300,000 s.f. outdoor, as well as a 200,000 s.f. Marine Recreation Basin.

- Income to Port — The Port of San Francisco will receive an estimated $414 million in fixed rents from SF Piers LLC, as well as potential participation rent.

- Ship Facilities — The project will accommodate "port of call" berthing by cruise ships, as well as military and ceremonial berthing. Interior space will be provided for passenger, baggage and security activities.

- Office Space — The economic engine that will make this all possible is rental income from approximately 440,000 s.f. of office space – 135,000 s.f. in the historic sheds and 305,000 s.f. in two new three-level buildings. All other potential income producing uses have been excluded: hotels by ordinance, residences by statute, and retail by community opposition.

Intent

This document is submitted in fulfillment of the Initial Performance Benchmarks obligation under the Exclusive Negotiation Agreement with the Port of San Francisco dated March 14, 2006.

- Content — This proposal is conceptual in nature – much will be clarified and revised as additional information becomes available and negotiations proceed with the Port. This submittal is organized into six sections:
 - Executive Summary
 - Development Plan
 - Schedule
 - Financial terms
 - Trust Consistency
 - Regulatory Approvals

- Prior Benchmarks — The development team has already met, and will continue to meet, these Initial Performance Benchmarks:
 - Community Outreach Program
 - Monthly Reports
 - Weekly Meetings

- Further Benchmarks — The development team will, if this proposal is accepted by the Port of San Francisco, comply with these additional Performance Benchmarks:
 - Development Memorandum / Term Sheet
 - Annual Budget
 - Letter of Intent from Active Recreation Operator
 - Port Endorsement Resolution

Background

- History — San Francisco has strived for a viable vision of Piers 27-31 since the spring of 1999. The Port, Board of Supervisors, community groups, and numerous individuals have worked long and hard to make sure that the historic rehabilitation, recreation, and mixed-use development at Piers 27-31 will be worthy of its city and site. The Port issued an amended Request for Proposals in August 2000 and signed an Exclusive Negotiation Agreement (ENA) to The Mills Corporation in June 2001. SF Piers LLC obtained assignment of the ENA from Mills and the Port in March 2006. This proposal is a new, and hopefully last, step in that process.

- Developer — SF Piers LLC is a joint venture of Shorenstein Realty Services and Farallon Capital Management. Both firms, which are national in scope and preeminent in their fields, were founded and remain headquartered in San Francisco, and have particularly strong community relations, development, and operation records. Both firms will move their national headquarters to the project.

- Team — The design and preconstruction team, with its combined experience on the Ferry Building, Pier 1, and Monterey Bay Aquarium, is uniquely qualified for this project:

- SMWM – Architects
- Page & Turnbull – Historic Architects
- Rutherford & Chekene – Structural Engineers
- Moffatt & Nichol – Marine Engineers
- Rudolph and Sletten – General Contractors
- Nibbi Brothers – General Contractors
- Power Engineering – Marine Contractors

- Remediation — The Port and SF Piers LLC have, as a result of a thorough assessment of the existing piers by the new development team since assignment of the ENA, come to understand that newly recognized physical conditions pervade the successful planning, design, financing, and construction of the project. Marine and structural engineers and contractors concluded that the cost to prepare the site and infrastructure for development – primarily repair and retrofit of the piers to current standards – will cost double what had been allocated by the previous development team. The resulting site cost, exclusive of building construction, would be $145 million, or about $215 for each developed square foot of building area, before annual leasehold expense. The cost to buy a site outright in the City's most expensive districts would, by contrast, be roughly half that.

Uses

The 19-acre site has, since 1999, been envisioned as a recreation and mixed-use development. This submittal proposes uses for 435,000 s.f. (nearly 10 acres) of outdoor space and 680,000 s.f. (nearly 16 acres) of indoor space. Uses are more specifically described, diagrammed, and tabulated in the body of this proposal. All areas are approximate, and are subject to revision of size and location during the design phase.

- Indoor Recreation — 200,000 s.f. of indoor recreation will be provided:
 - Non Historic Pier 27 Shed – 66,000 s.f.
 - Historic Bulkhead – 68,000 s.f.
 - Historic Sheds – 67,000 s.f.

- Outdoor Recreation — 295,000 s.f. of programmed outdoor recreation will be provided:
 - Upper Plaza – 90,000 s.f.
 - Marine Terrace – 4,000 s.f.
 - Marine Recreation Basin – 200,000 s.f.
 - Floating Pool – included in basin area

- Public Access & Amenities — 457,000 s.f. (including 367,000 s.f. of dedicated public access and 90,000 s.f. of shared space) will be provided, resulting in more than one mile of walkable path through and around the perimeter of the site. These amenities include:
 - Northeast Wharf Plaza – 106,000 s.f.
 - Waterfront Plaza – 15,000 s.f.
 - Pier Aprons/Accessways – 220,000 s.f.
 - Bayside History Walk – 16,000 s.f.
 - Public Lobbies – 10,000 s.f.
 - Upper Plaza – 90,000 s.f. shared with outdoor recreation

- Recreation Oriented Retail — Approximately 32,000 s.f. of recreation oriented retail space will be provided. Retail uses have, in response to community input, been scaled back dramatically, and are now fractional compared to the prior developer's proposal. This will result in very significant reductions in parking demand, vehicular queuing, and pedestrian/vehicular crossings, compared to the proposal of the prior developer.

- Restaurants — The project will incorporate a variety of restaurants. Current plans include:
 - Recreation – Activity-based dining indoors and on terrace.
 - Beltline Café – Casual dining in historic Embarcadero setting.
 - Destination Dining – White tablecloths and sweeping views in Pier 27.

- Marine Use — SF Piers LLC has accommodated the Port's expanded berthing requirements by including:
 - "Port of call" cruise ship berthing at Pier 27, with controlled security areas.
 - Indoor cruise ship passenger processing at Pier 27.
 - Military and Ceremonial ship berthing at Pier 27.
 - A water taxi landing.
 - Potential further marine use at Pier 31.

- Rehabilitation — SF Piers LLC recognizes the value of the existing historic resources on the site as well as its obligation to rehabilitate the piers and buildings in conformance with the *Secretary of the Interior Guidelines* as administered by the State Historic Preservation Office and the National Park Service.

- Office — Approximately 440,000 s.f. of Class A office space will be provided, with roughly 135,000 s.f. in the existing historic sheds, and roughly 305,000 s.f. in new low-rise construction. About half of the office space will be occupied long term by the Developer. The Developer will actively seek maritime-related tenants, including State agencies. The income to subsidize all the uses and costs described above (both initial and operating) will be generated by this office space. All other potential income producing uses have been excluded: hotels by ordinance, residences by statute, and retail by community opposition.

- Parking — The project will include on-site parking for approximately 320 (self-park) to 450 (valet) vehicles.

Schedule

SF Piers LLC is working to achieve a particularly aggressive project schedule that, if everything goes well, will allow occupancy to begin in July, 2010 — this date represents a working goal rather than a contractual requirement. Endorsement of the Development Memorandum / Term Sheet by the Port Commission and Board of Supervisors are the threshold events. The schedule anticipates these favorable votes in mid-November 2006 and mid-January 2007, respectively. Once these endorsements are obtained, the Developer will be able to move ahead with Due Diligence, Schematic Design, and State Agency reviews.

- Assumptions & Risks — The proposed schedule incorporates many assumptions, each of which carries its own completion date, as well as risks to project feasibility and viability if not achieved:
 - Transaction – Timely agreement on terms.
 - State Agencies – Favorable public trust and access findings.
 - EIR – Certification within one-year of filing.
 - Marine Wildlife – Mitigation allowing work through herring and steelhead seasons
 - Discovery – No further surprises encountered in the existing conditions.
 - Escalation – Allowance adequate to compensate for any delays.

- Key Dates — Some of the key dates in the project schedule include:
 - Port Commission Endorsement – November 14, 2006
 - Board of Supervisors Endorsement – January 15, 2007
 - State Lands Approval – March 2007
 - EIR Certification – December 2007
 - Commence Construction – August 2008
 - Completion of Core & Shell (initial) – May 2010
 - Recreation Occupancy (initial) – July 2010
 - Office Occupancy (initial) – July 2010
 - Last Occupancy – January 2011

Financial

The complete financial proposal for the project is described both in narrative summary and quantitative proforma formats in the body of this proposal. A more concise outline follows below:

- Cost to Developer — The Developer proposes to incur nearly half a billion dollars in costs, which would potentially be reduced by future credits that are not guaranteed:
 - Gross Development Cost – $446 million
 - Historic Tax Credit – ($31.6) million
 - Tax Increment and Bond Credit – ($60.0) million
 - Net Development Cost – $354.4 million
 - Maximum Outstanding Equity – $116 million

- Risks to Developer — The Developer bears a variety of cost over-run risks and revenue shortfalls:
 - Site Discovery
 - Construction Cost Escalation Rate and Duration
 - Regulatory Delay
 - Construction Interest Rates
 - Recreation Subsidy
 - Office Rental Rates

- Income to Port — SF Piers LLC proposes that the Port of San Francisco receive an estimated $42 million in net income from the Developer over the first 20 years of the lease, and an estimated $414 million over the entire 66 year life of the lease. These figures assume 3% annual inflation. The Port's exact rental income will be indexed to the CPI. Further contingent income to the Port may be generated in the form of participation rent.

- Returns to Developer — SF Piers LLC has underwritten its proposal for a substantially lower Internal Rate of Return than comparable projects, roughly half the return projected by the prior developer:
 - Typical High Risk Projects – 20.0%
 - The Mills Corporation Proposal – 18.6%
 - This Proposal – 9.9%

Trust Consistency

This project must obtain approval from the California State Lands Commission (SLC), which has jurisdiction over all of California's tide and submerged lands. SF Piers LLC is committed to working with Port, SLC, and BCDC staff to obtain a favorable public trust consistency determination from SLC staff, similar to the letters obtained by the Port for the Ferry Building, Pier 1, and Piers 1½, 3 & 5. If necessary, after appropriate consultation, SF Piers LLC will work with these agencies to obtain State legislation, similar to AB 1389 related to Pier 30-32.

The SF Piers LLC trust consistency proposal includes these two main elements:

- Baseline Changes — Two key elements of the Pier 27-31 baseline have changed since the project was last considered by the Attorney General and the State Lands Commission:

 - Embarcadero Historic District – The entire Piers 27-31 pier structure, as well as the Piers 29 and 31 sheds and the Beltline Railroad Building, have been included as contributory elements to the Embarcadero Historic District, which was listed on the *National Register of Historic Places* on May 12, 2006.

 - Remediation Cost – The cost to repair and seismically upgrade the Piers 27-31 pier structure will be $73 million more than (approximately twice as expensive as) previously estimated by the Mills Corporation team. To prevent damage or complete destruction to any one of the piers and the buildings they support, all of the piers must be repaired together.

- Public Trust Elements — This proposal includes all of the following trust consistent components:
 - Rehabilitation to the *Secretary of the Interior's Standards*
 - Cruise and Ceremonial Ship Berthing
 - Public Access, including pier aprons, History Walk /Port Walk, and accessible office lobbies
 - Open Space, including the Northeast Wharf Plaza and a new Waterfront Plaza
 - Water Taxi Landing

- Recreational Marina and Marine Retail
- Visitor Serving Restaurants and Cafes
- Developer Occupancy
- State Maritime Agencies Marketing Program

Regulatory Approval Strategy

- Required Reviews & Approvals — Some of the public agencies that the project will require review and approvals from include:
 - Port of San Francisco
 - Board of Supervisors
 - San Francisco Planning Department and Commission
 - San Francisco Department of Building Inspection
 - State Lands Commission
 - Bay Conservation & Development Commission
 - San Francisco Regional Water Quality Control Board
 - State Office of Historic Preservation
 - National Park Service
 - U.S. Army Corps of Engineers (including NOAA Fisheries and CDFG)

The SF Piers LLC regulatory approval strategy is based on the following fundamental principles:

- Cooperation with the Port — The Port is the development team's partner. Continued communication and collaboration with the Port is essential to the success of the project's regulatory approval process.

- Early Consultation — The development team has initiated, and will continue to initiate, early contact with the appropriate representatives of each agency. This will help identify and address issues of concern, and minimize their impact early in the design process.

- Full Disclosure — The development team will share the latest and best information while collaborating with agency staff to resolve issues.

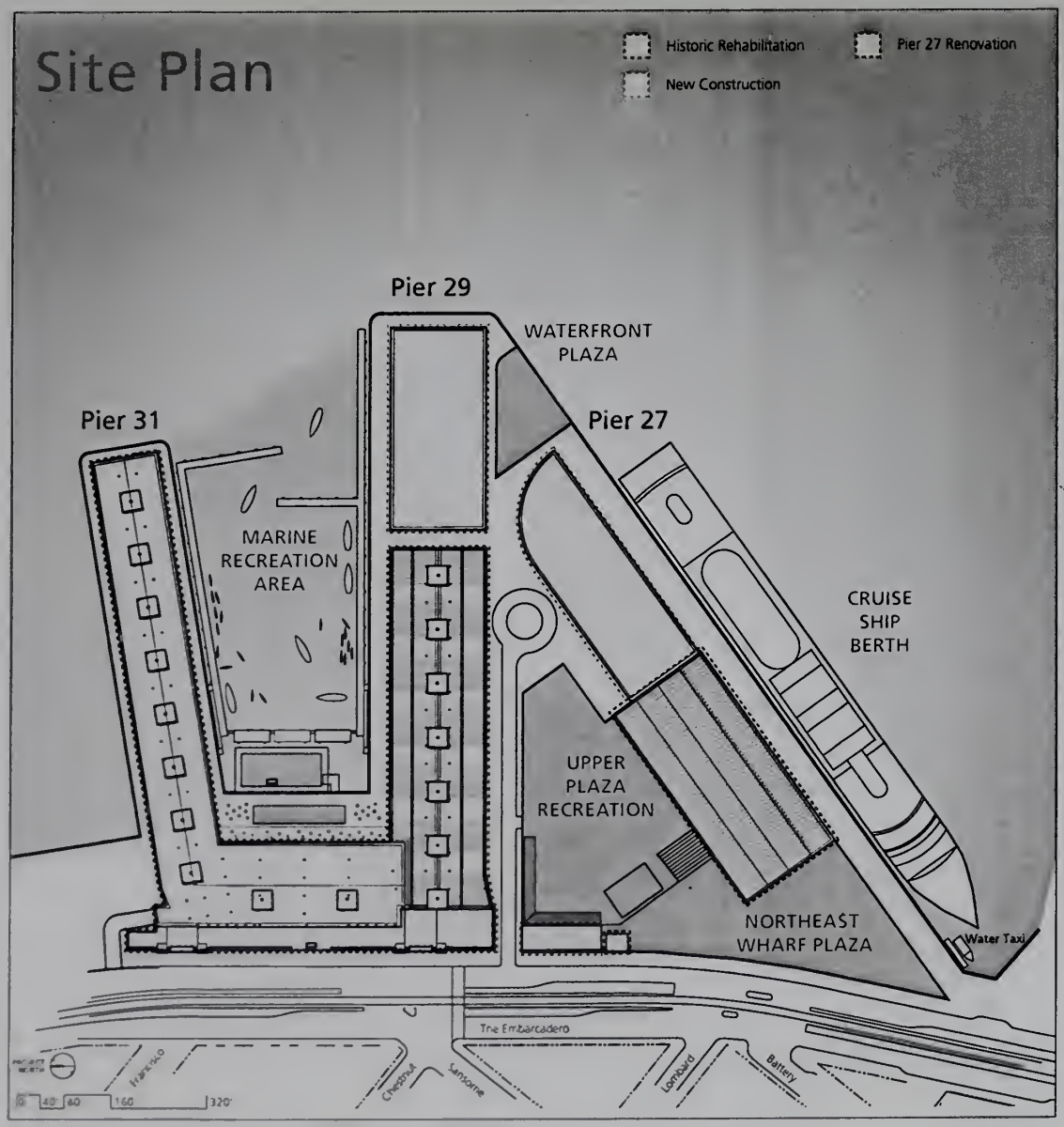
- Ongoing Communication — The development team will have clear and frequent communication with each agency.

- Community Outreach — The development team will continue to consult with a wide range of community organizations and other relevant constituencies to solicit input and build a broad base of local support.

Attachment 3

Development Proposal Plans

Site Plan



Program Areas (in square feet)

Site Areas

Leasehold	745,724
Northeast Wharf Plaza	105,526
Marine Basin	199,783
Combined Site Area	1,051,033

Use / Location	Gross Leasable Area Level 1	Level 2	Level 3	Total	% Programmed
Indoor Recreation				**201,190**	**20.7%**
Pier 27	66,380	-	-	66,380	
Piers 29 and 31	102,210	25,100	-	127,310	
Recreation Restaurant	5,000	2,500		7,500	
Outdoor Recreation				**294,230**	**30.2%**
Piers 29 and 31	4,450	-	-	4,450	
Marine Basin	199,780	-	-	199,780	
Upper Plaza	-	90,000	-	90,000	
Retail				**32,340**	**3.3%**
Between Piers 27 and 29	5,200	5,200	-	10,400	
Piers 29 and 31	13,340	8,600	-	21,940	
Restaurant/Café				**7,000**	**0.7%**
Destination Restaurant	5,000	-	-	5,000	
Beltline Cafe	1,000	1,000	-	2,000	
Office				**439,560**	**45.1%**
Pier 27	47,200	53,000	53,000	153,200	
Pier 29 (New)	51,360	50,000	50,000	151,360	
Pier 29 (Historic)	36,200	27,800	-	64,000	
Pier 31	43,800	27,200	-	71,000	
Total Programmed Area				974,320	

Open Space & Public Access

Project Site Required Public Access				**261,004**	**35.0% Leasehold**
Waterfront Plaza (Pier 27)	15,011	-	-	15,011	
Pier Aprons/Accessways	219,581	-	-	219,581	
Indoor Public Access	26,412	-	-	26,412	
Northeast Wharf Plaza	105,526	-	-	105,526	100.0% Wharf Plaza
Upper Plaza (counted as Recreation above)		90,000		90,000	
Total Open Space & Public Access				456,530	

					Self Park Spaces	Valet Spaces
Ancillary Parking				**142,360**	**323**	**450**
Between Piers 27 and 29	90,000	-	-	90,000	223	320
Pier 31	17,360	35,000	-	52,360	100	130

Developer
SF Piers LLC
A Joint Venture of
Shorenstein Realty Services &
Farallon Capital Management

Planning Development Management
Mezzatesta*Sklar

Preconstruction Services
Rudolph & Sletten
Nibbi Brothers
Power Engineering

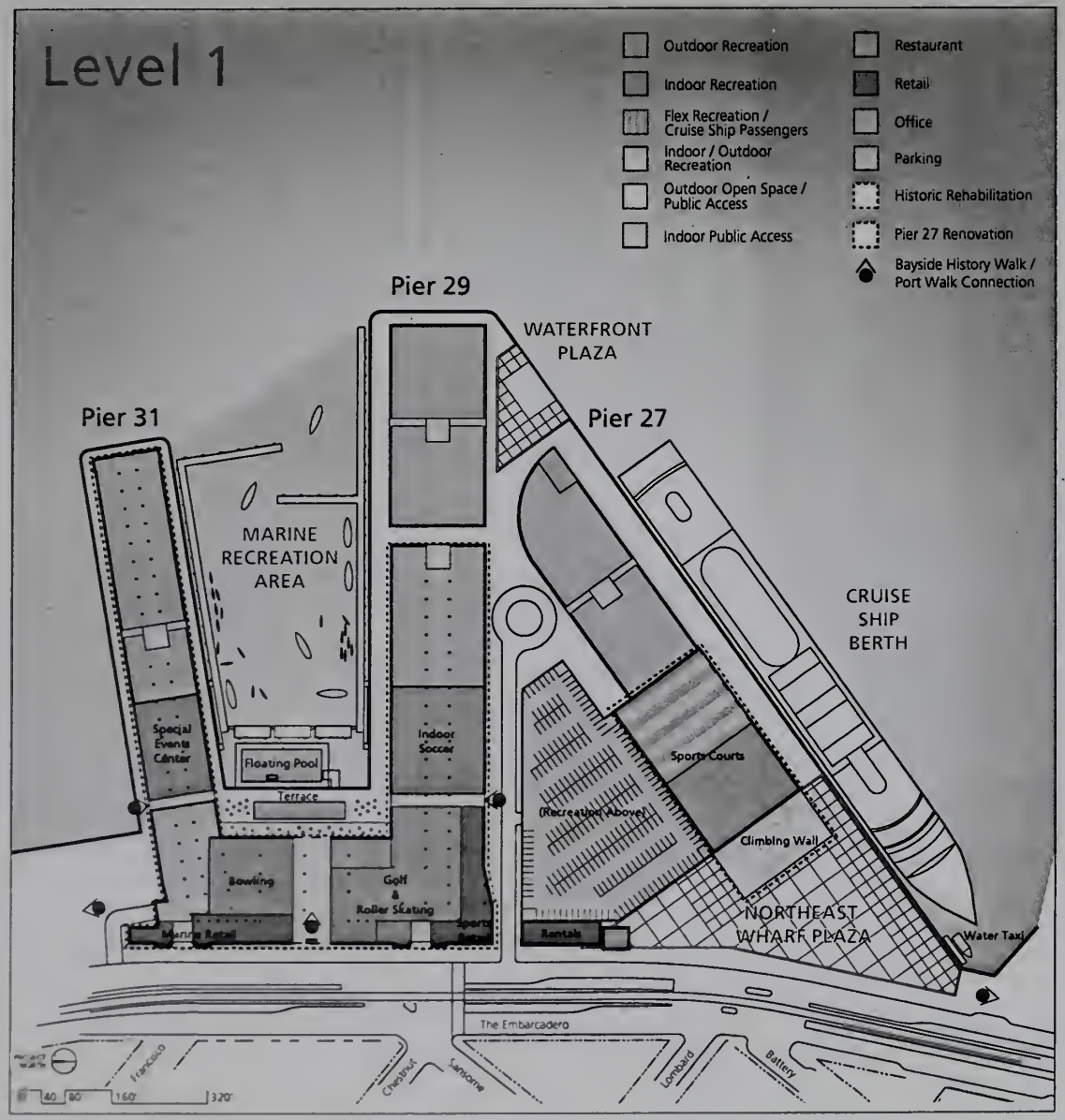
Design Team
SMWM
Rutherford & Chekene
Moffatt & Nichol
Page & Turnbull
CMG

San Francisco Piers 27-31—Development Proposal

Site Plan

23 October 2006

PIERS 27-31 SAN FRANCISCO



Program Areas (in square feet)

Site Areas

Leasehold	745,724
Northeast Wharf Plaza	105,526
Marine Basin	199,783
Combined Site Area	1,051,033

Use / Location	Gross Leasable Area Level 1	Level 2	Level 3	Total	% Programmed
Indoor Recreation				**201,190**	**20.7%**
Pier 27	66,380	-	-	66,380	
Piers 29 and 31	102,210	25,100	-	127,310	
Recreation Restaurant	5,000	2,500		7,500	
Outdoor Recreation				**294,230**	**30.2%**
Piers 29 and 31	4,450	-	-	4,450	
Marine Basin	199,780	-	-	199,780	
Upper Plaza	-	90,000	-	90,000	
Retail				**32,340**	**3.3%**
Between Piers 27 and 29	5,200	5,200	-	10,400	
Piers 29 and 31	13,340	8,600	-	21,940	
Restaurant/Café				**7,000**	**0.7%**
Destination Restaurant	5,000	-	-	5,000	
Beltline Cafe	1,000	1,000	-	2,000	
Office				**439,560**	**45.1%**
Pier 27	47,200	53,000	53,000	153,200	
Pier 29 (New)	51,360	50,000	50,000	151,360	
Pier 29 (Historic)	36,200	27,800	-	64,000	
Pier 31	43,800	27,200	-	71,000	
Total Programmed Area				**974,320**	

Open Space & Public Access

Project Site Required Public Access				**261,004**	**35.0% Leasehold**
Waterfront Plaza (Pier 27)	15,011	-	-	15,011	
Pier Aprons/Accessways	219,581	-	-	219,581	
Indoor Public Access	26,412	-	-	26,412	
Northeast Wharf Plaza	105,526	-	-	105,526	**100.0% Wharf Plaza**
Upper Plaza (counted as Recreation above)		90,000		90,000	
Total Open Space & Public Access				**456,530**	

				Total	Self Park Spaces	Valet Spaces
Ancillary Parking				**142,360**	**323**	**450**
Between Piers 27 and 29	90,000	-	-	90,000	223	320
Pier 31	17,360	35,000	-	52,360	100	130

Developer
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Planning Development Management
Mezzatesta*Sklar

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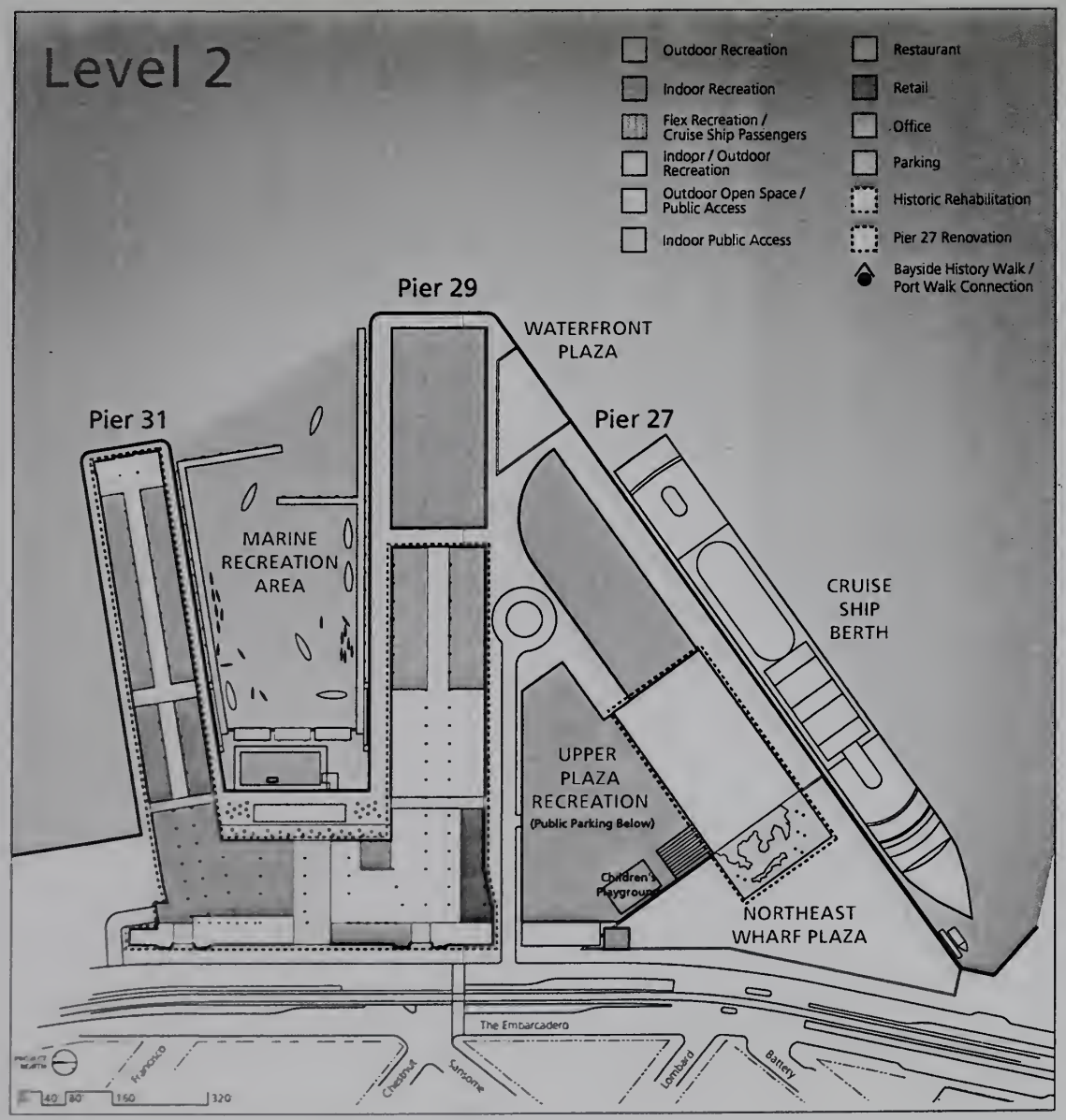
Design Team
SMWM
Rutherford & Chekene
Moffatt & Nichol
Page & Turnbull
CMG

San Francisco Piers 27-31—Development Proposal

Ground Level Plan

23 October 2006

PIERS 27-31 SAN FRANCISCO



Program Areas (in square feet)

Site Areas

Leasehold	745,724
Northeast Wharf Plaza	105,526
Marine Basin	199,783
Combined Site Area	1,051,033

Use / Location	Gross Leasable Area Level 1	Level 2	Level 3	Total	% Programmed
Indoor Recreation				201,190	20.7%
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Recreation Restaurant	5,000	2,500		7,500	
Outdoor Recreation				294,230	30.2%
Piers 29 and 31	4,450	-	-	4,450	
Marine Basin	199,780	-	-	199,780	
Upper Plaza	-	90,000	-	90,000	
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Beltline Cafe	1,000	1,000	-	2,000	
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Pier 31	43,800	27,200	-	71,000	
Total Programmed Area				974,320	

Open Space & Public Access

Project Site Required Public Access				261,004	35.0% Leasehold
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Upper Plaza (counted as Recreation above)		90,000		90,000	
Total Open Space & Public Access				456,530	

					Self Park Spaces	Valet Spaces
Ancillary Parking				142,360	323	450
Between Piers 27 and 29	90,000	-	-	90,000	223	320
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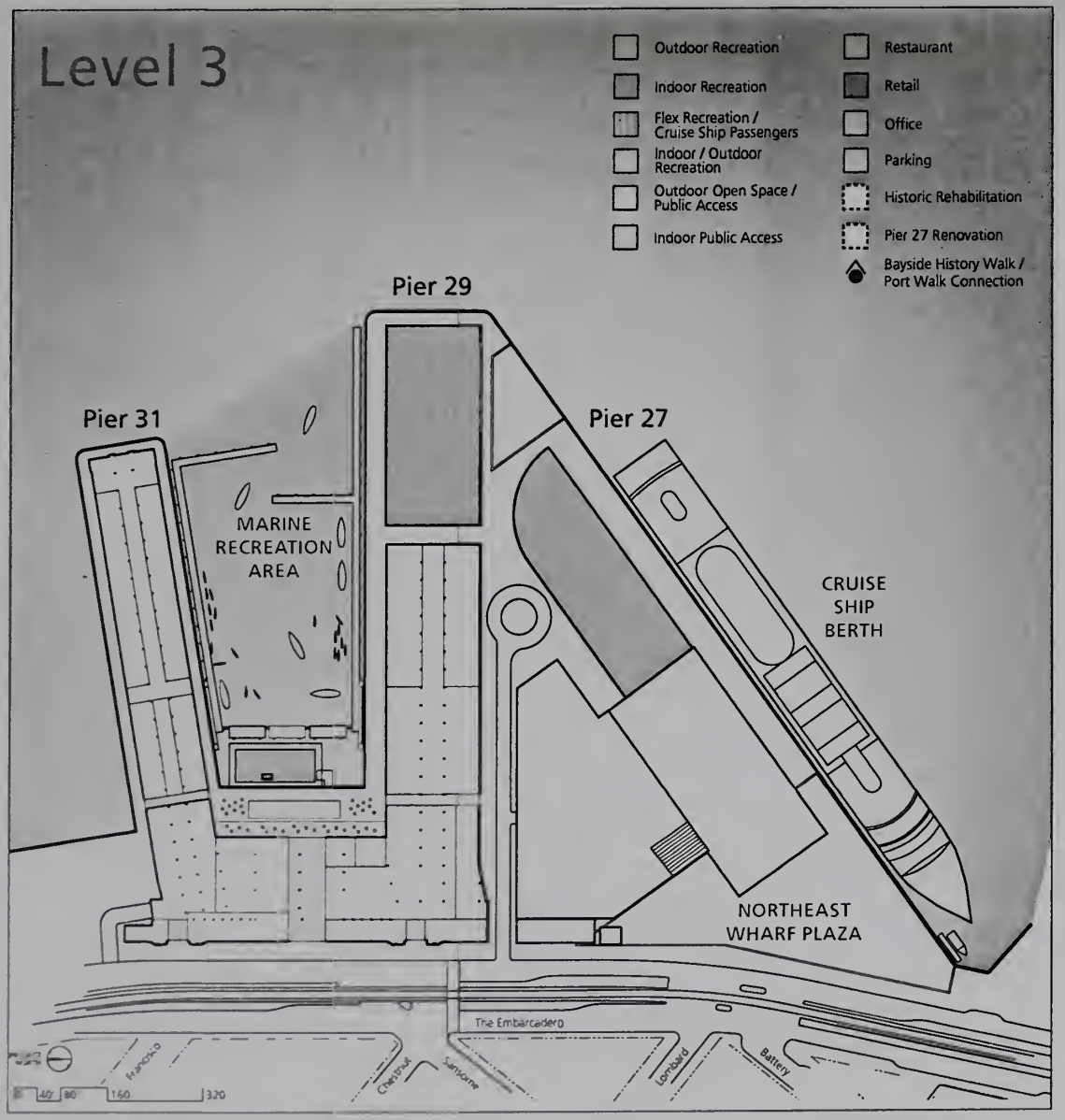
Design Team
SMWM
Rutherford & Chekene
Moffatt & Nichol
Page & Turnbull
CMG

San Francisco Piers 27-31—Development Proposal

Second Level Plan

23 October 2006

PIERS 27-31
SAN FRANCISCO



Program Areas (in square feet)

Site Areas

Leasehold	745,724
Northeast Wharf Plaza	105,526
Marine Basin	199,783
Combined Site Area	1,051,033

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Open Space & Public Access

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Ancillary Parking				142,360	323	450
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Moffatt & Nichol
Page & Turnbull
CMG

San Francisco Piers 27-31—Development Proposal
Third Level Plan

23 October 2006

PIERS 27-31 SAN FRANCISCO

Attachment 4

Rent Credit Analysis

Rent Credit Analysis
For Piers 27-31 Mixed-Use Recreation Project

Rent Credits	Base Rent	Rent Credit	Rent Credit	Cash Flow
Construction Period Rent		24 mos construc	30 mos construc	
Yr 1	1,200,000	1,200,000	1,200,000	0
Yr 2	1,200,000	1,200,000	1,200,000	0
Yr 3 (6 months)	600,000		600,000	0
Rent Commencement				
Yr 3	2,400,000	1,000,000	1,000,000	1,400,000
Yr 4	2,400,000	1,000,000	1,000,000	1,400,000
Yr 5	2,400,000	1,000,000	1,000,000	1,400,000
Yr 6	2,400,000	1,000,000	1,000,000	1,400,000
Yr 7	2,400,000	1,000,000	1,000,000	1,400,000
Yr 8 assumes 3%/yr increase	2,782,258	1,159,274	1,159,274	1,622,984
Yr 9	2,782,258	1,159,274	1,159,274	1,622,984
Yr 10	2,782,258	1,159,274	1,159,274	1,622,984
Yr 11	2,782,258	1,159,274	1,159,274	1,622,984
Yr 12	2,782,258	1,159,274	1,159,274	1,622,984
		$13,196,370	**$13,796,370**	
		(Range: $13.2 - $13.8 million)		

NPV of rent credits at commencement of lease @ 6% discount rate=

$9,196,722.82 $9,304,457.51

(Range: $9.2 - $9.3 million)

PORT OF SAN FRANCISCO

MEMORANDUM

January 3, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Resolution authorizing the Port Executive Director to execute a Memorandum of Understanding with the San Francisco Entertainment Commission to transfer responsibility for the issuance and administration of Entertainment Related Permits from the Port to the Entertainment Commission

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

Introduction

The proposed Memorandum of Understanding (MOU) between the Port and the San Francisco Entertainment Commission ("Entertainment Commission") regarding issuance and administration of entertainment related permits replaces a prior Memorandum of Understanding with the Entertainment Commission pursuant to Port Commission action, Resolution 04-53. The proposed MOU is contained in Exhibit A. Approval of Memoranda of Understanding with other City departments requires Port Commission action. Port staff made an informational presentation to the Port Commission on October 10, 2006 regarding this proposed MOU.

Background

In 2000, the Civil Grand Jury recommended that the City and County of San Francisco create a new commission to assume the issuance and administration of entertainment permits from the San Francisco Police Department ("Police Department").

In November of 2002, San Francisco voters approved an amendment to the City Charter creating the Entertainment Commission. The San Francisco Board of Supervisors adopted amendments to the San Francisco Administrative Code ("Administrative Code") Chapter 90 providing the

This Print Covers Calendar Item No. 8A

Entertainment Commission with the authority to assume all responsibilities from the Police Department for the issuance and administration of entertainment related permits. In July 2003, the Entertainment Commission assumed responsibility for the issuance and administration of the following permits ("Entertainment Related Permits"):

- loudspeaker permits
- itinerant show permits
- dance hall keeper permits
- place of entertainment permits
- extended hours premises permits
- amusement park permits
- mechanical amusement devices permits
- billiard and pool table permits
- arcades and recreational equipment permits

Section 90.4(k) of the Administrative Code authorizes the Entertainment Commission to assume the powers of the Port Commission with respect to issuance and administration of Entertainment Related Permits on Port property:

> "(k) With the approval of the Recreation and Parks Commission or Port Commission, as the case may be, [the Entertainment Commission shall] exercise the powers and perform the duties set forth in this Section with respect to events and establishments to be held or operated upon property or within facilities under the jurisdiction of the Recreation and Parks Commission or Port Commission."

In the absence of such approval by the Port Commission, the Port Commission would be bound by the terms and conditions of the San Francisco Police Code ("Police Code") to issue and administer all Entertainment Related Permits. The provisions of the Police Code establish, in many cases, a requirement for the City to issue such permits, provided the applicant has met the minimum standards for permit issuance.

In 2004, the Port did not wish to assume the managerial responsibility associated with the administration of entertainment related permits on Port property. Therefore, the Port delegated the authority to the Entertainment Commission to exercise its powers and perform its duties within the jurisdiction of the Port under Section 90.4(k) of the Administrative Code in July 2004 and entered into a one-year Memorandum of Understanding with the Entertainment Commission ("2004 MOU") pursuant to Port Commission action, Resolution 04-53.

During the initial term of the 2004 MOU, the Port experienced some challenges working with the Entertainment Commission, primarily related to enforcement actions such as revoking or modifying entertainment permits. Following the expiration of the 2004 MOU, the Port and the Entertainment Commission agreed to allow the 2004 MOU to hold over on a month-to-month basis until a new MOU could be completed. In the intervening period, cooperation between the Port and the Entertainment Commission has substantially improved.

Place of Entertainment and Extended Hours Premises Permits

Exhibit B to this report contains excerpts from the Police Code that outline two of the major entertainment related permits provided for in the code: Place of Entertainment and Extended Hours Premises Permits. With respect to these permits, the Police Code establishes a standard that the City must issue these permits if an applicant has met the minimum thresholds established in the code (see Exhibit B).

Port tenants with one or both of these permits, if the conditions of the permit(s) are not effectively observed by the permit holder and/or enforced by the City, pose a potential for ongoing conflict with the Port's residential neighbors due to a variety of potential issues, including noise, traffic, and behavior of customers going to or leaving the permitted premises.

In the South Beach-Rincon Point Area of the Port's jurisdiction, the effective land use controls governing this area provide for "Good Neighbor Policies" which are included as Exhibit C to this report. These policies may provide an effective model for conditions of Place of Entertainment and Extended Hours Premises permit issuance on Port property.

Proposed Port-Entertainment Commission MOU

The proposed MOU outlines provisions for the Port to recommend to the Entertainment Commission that the Entertainment Commission approve, deny or approve with conditions an application for an Entertainment Related Permit (or amendment thereto) and to recommend suspension or revocation of an existing permit. It also establishes a right for the Port staff to testify at Entertainment Commission hearings on permits.

Once the Port assigns its responsibilities under the MOU to the Entertainment Commission, Port recommendations are advisory only. Decisions regarding issuance, denial, amendment, transfer, suspension or revocation of Entertainment Related Permits will be left to the Entertainment Commission.

As described below, the proposed MOU provides for a notice by the Entertainment Commission to the Port of a permit application and provides the Port with ten (10) business days to notify the Entertainment Commission in writing of any lease or land use controls that prohibit a specific Entertainment Related Permit activity. The MOU provides that if the Port provides such notice, the Entertainment Commission shall deny the subject permit application.

The MOU provides for the Entertainment Commission to collect all permit-related fees to defray costs of processing permit applications and administration of permits. The MOU has an express "No Cost to the Port" provision.

Other major provisions of the proposed MOU provide for a two-year term and an option for either party to terminate the MOU for any reason upon thirty (30) days' notice.

Appeals of Entertainment Commission Decisions

The proposed MOU delegates to the Entertainment Commission and/or the Board of Appeals the jurisdiction to handle appeals of Entertainment Commission decisions regarding the issuance, denial, suspension, and/or revocation, transfer, and applications for amendments for Entertainment Related Permits.

According to City Charter Section 4.106:

> (b) The Board shall hear and determine appeals with respect to any person who has been denied a permit or license, or whose permit or license has been suspended, revoked or withdrawn, or who believes that his or her interest or the public interest will be adversely affected by the grant, denial, suspension or revocation of a license or permit, except for a permit or license under the jurisdiction of the Recreation and Park Commission or Department, or the Port Commission, or a building or demolition permit for a project that has received a permit or license pursuant to a conditional use authorization.

An Entertainment Related Permit applicant whose permit application is denied, a permittee whose permit is suspended or revoked, or a member of the public (San Francisco taxpayer) may appeal a decision of the Entertainment Commission to the Board of Appeals. The Board of Appeals uses a "de novo" hearing to consider appeals, which means the record of testimony and evidence is established anew, and the record of decision at the Entertainment Commission is not necessarily considered.

Due in part to the language in 4.106(b), the Port currently has no Memorandum of Understanding with the Board of Appeals to consider appeals of Entertainment Related Permit decisions.

Policy options for appeals of Entertainment Related Permit decisions include:

1. The Port Commission can delegate handling of appeals in the manner described in the proposed MOU (to either the Entertainment Commission or the Board of Appeals) and seek a new Memorandum of Understanding with the Board of Appeals;

2. The Port Commission could allow decisions of the Entertainment Commission to be final, leaving Superior Court as the next possible venue for permit applicant, permittees and members of the public to seek relief; or

3. The Port Commission could hear "de novo" appeals of Entertainment Commission decisions on its own, following the basic hearing outlines of the Board of Appeals.

Port staff recommends the approach outlined in #1 above.

Related Policy Considerations

Port Leases

Under the proposed agreement, the Port retains its proprietary control over writing leases. For instance, if a future Port lease applicant seeks a lease use provision authorizing entertainment activities, the Real Estate Division and/or the Port Commission may wish to restrict hours of operation to 2:00 AM, until such time as the tenant has demonstrated its ability to operate a Place of Entertainment without creating conflicts with residential neighbors.

In such an event, if the Port lessee subsequently applied for an Extended Hours Premises Permit (to operate from 2:00 AM to 6:00 AM), and the Port notified the Entertainment Commission of the lease limitations restricting hours of operation to 2:00 AM, the Entertainment Commission would be required to deny the permit application under the terms of the proposed MOU.

Alternately, the Port may require, as a matter of its proprietary lease contract with a new Port tenant, that a Port tenant seek approval of the Port prior to seeking any Entertainment Related Permit. The Port may also wish to impose, as a lease provision in future entertainment related leases, the Good Neighbor Policies in Exhibit C.

Please note that many of the Port's current restaurant leases permit entertainment activities and do not include restrictions on hours of operation.

Port Land Use Controls

Currently much of the Port is zoned for industrial uses, which is permissive of the Entertainment Related Permit activities defined in the proposed MOU. The Port, in any current or future land use planning, may wish to define areas prohibiting certain Entertainment Related Permit activities or to impose Good Neighbor Policy conditions of operation as a matter of law, due to policy considerations such as proximity to residential neighborhoods.

In such an event, if a future Port tenant applied for an Entertainment Related Permit in one of the areas where certain Entertainment Related Permit activities were prohibited by then-existing land use controls, and the Port notified the Entertainment Commission of these restrictions, the Entertainment Commission would be required to deny the permit application under the terms of the proposed MOU.

Public Outreach

Port staff and representatives from the Entertainment Commission have made informational presentations to the Port Commission, Entertainment Commission, Southern Waterfront Advisory Committee ("SWAC"), the Central Waterfront Advisory Group ("CWAG") and the Redevelopment Agency South Beach/Rincon Point CAC.

A major recommendation from members of Port advisory groups is for the Port to pursue public notification to its advisory groups of permit applications in process, including the date and time of hearing at the Entertainment Commission– particularly for Place of Entertainment and Extended Hours Premises permits.

Recommendation

Port staff recommends approval of the proposed resolution. Port staff also recommend and a subsequent negotiation with the Board of Appeals to develop a specific Memorandum of Understanding to handle appeals of Entertainment Commission Entertainment Related Permit decisions.

Port staff further recommends developing Real Estate leasing guidelines for entertainment related leases and a formalized e-mail notification process when the Port receives notice that one of its tenants has applied for: 1) an entertainment related lease, and 2) a Place of Entertainment or Extended Hours Premises permit.

Prepared by: Brad Benson, Special Projects Manager
Jeff Bauer, Senior Property Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-05

WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, the Entertainment Commission was created by amendments to the Charter of the City and County of San Francisco in November 2002 (S.F. Charter § 4.117) and to the San Francisco Administrative Code (Chapter 90), to coordinate planning and permit issuance for cultural, entertainment, athletic and similar events and establishments throughout the City and County of San Francisco, and to assume all responsibility from the San Francisco Police Department for the issuance of "Entertainment Related Permits"; and

WHEREAS, With the express approval of the Port, under Section 90.4(k) of the S.F. Administrative Code, the Entertainment Commission may exercise the powers and perform the duties set forth to the Entertainment Commission in Chapter 90 of the S.F. Administrative Code with respect to events and establishments to be held or operated upon property within the jurisdiction of the Port; and

WHEREAS, the Port gives its express approval to the Entertainment Commission to exercise the powers and perform the duties set forth in Chapter 90 of the S.F. Administrative Code with respect to events and establishments to be held or operated on property within the jurisdiction of the Port; and

WHEREAS, the Port wishes to execute a Memorandum of Understanding with the Entertainment Commission in order to facilitate the effective transfer of permitting duties from the Port to the Entertainment Commission; now, therefore, be it

RESOLVED, that the San Francisco Port Commission authorizes the Executive Director, or her designee, to enter into a Memorandum of Understanding by and between the Port of San Francisco and the Entertainment Commission to facilitate the effective transfer of permitting duties from the Port to the Entertainment Commission, substantially in the form on file with the Port Commission Secretary for this item.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 9, 2007.

Secretary

Exhibit A:
Proposed Port-Entertainment Commission
Memorandum of Understanding

CITY AND COUNTY OF SAN FRANCISCO

GAVIN NEWSOM, MAYOR

MEMORANDUM OF UNDERSTANDING

MOU NO. M-14146

BY AND BETWEEN

THE SAN FRANCISCO PORT COMMISSION

AND

THE ENTERTAINMENT COMMISSION

Monique Moyer
Executive Director

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Rodney Fong, Commissioner
Michael Hardeman Commissioner

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU") dated February 1, 2007 for reference purpose only, by and between the San Francisco Port Commission (the "Port"), an agency of the City and County of San Francisco, and the San Francisco Entertainment Commission (the "Entertainment Commission"), an agency of the City and County of San Francisco, is made and entered into in order to facilitate the effective transfer of permitting duties from the Port to the Entertainment Commission.

RECITALS

A. The Entertainment Commission was created, by amendments to the Charter of the City and County of San Francisco (the "S.F. Charter") in November 2002 (S.F. Charter § 4.117) and to the San Francisco Administrative Code Chapter 90 (the "S.F. Administrative Code"), to coordinate planning and permitting for cultural, entertainment, athletic and similar events and establishments throughout the City and County of San Francisco (the "City").

B. The amendments creating the Entertainment Commission became operative July 1, 2003.

C. Section 3.581 of the S.F. Charter empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control property within the jurisdiction of the Port located in the City and County of San Francisco.

D. With the express approval of the Port, under Section 90.4(k) of the S.F. Administrative Code, the Entertainment Commission may exercise the powers and perform the duties set forth in Chapter 90 of the S.F. Administrative Code with respect to events to be held, or establishments operated on property within the jurisdiction of the Port.

E. Under the terms and conditions of this MOU, the Port gives its express approval to the Entertainment Commission to exercise the powers and perform the duties set forth in Chapter 90 of the S.F. Administrative Code with respect to events to be held or establishments operated on property within the jurisdiction of the Port.

F. The Port of San Francisco first delegated to the Entertainment Commission the authority to issue entertainment related permits on Port property in July 2004 in MOU M-13864 which expired on June 30, 2005. The Port and Entertainment Commission agreed to hold over the MOU until the execution of a new MOU.

G. The Port of San Francisco now wishes to execute a new MOU, M-14146 effective February 1, 2007.

H. The Port and the Entertainment Commission hereby enter into this MOU in order to facilitate the effective transfer of permitting duties from the Port to the Entertainment Commission.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

TERMS AND CONDITIONS

1. RECITALS

The forgoing recitals are true and correct and are incorporated herein by reference.

2. EFFECTIVE DATE

The effective date of this MOU shall be February1, 2007 (the "Effective Date").

3. TERM

The term of this MOU shall commence on the Effective Date and terminate on September 30, 2008, unless sooner terminated by either party by thirty (30) day's advance written notice of termination to the other party. Following the termination date this MOU shall holdover on a month to month basis until terminated by either party by thirty (30) day's advance written notice of termination to the other party.

4. DUTIES OF THE ENTERTAINMENT COMMISSION

The duties of the Entertainment Commission shall be to:

4.1. Accept applications for permits under the jurisdiction of the Entertainment Commission, including applications for transfer and applications for amendments to active permits, and that concern events held on, and establishments that operate upon property or within facilities under Port jurisdiction, including those permits that are listed in Exhibit A of this MOU attached hereto and made a part hereof. In the event that any other permits are added by City ordinance to the jurisdiction of the Entertainment Commission, the Port and the Entertainment Commission may elect to modify this MOU to include those permits under the terms and conditions of this MOU. Such modification would require approval of the Port Commission.

Permits or licenses issued pursuant to applications for permits described in this Section 4.1 of this MOU shall be collectively referred to hereinafter as "Entertainment Related Permit(s)."

4.2. Perform all administrative tasks relative to the processing of the permit application, including all background checks of individuals and/or organizations applying for Entertainment Related Permits, obtaining recommendations from the appropriate San Francisco Police Department officials and City agencies, including the Port, and issuance of Entertainment Related Permit(s).

5. ISSUANCE OR DENIAL OF ENTERTAINMENT RELATED PERMITS

5.1. Prior to the issuance or denial of an Entertainment Related Permit, the Entertainment Commission shall immediately forward a copy of the completed Entertainment Related Permit application to the Port Deputy Real Estate Director (the "Deputy Director") within the earlier of twenty-four (24) hours of receipt by the Entertainment Commission or by the close of the next business day.

5.2. (a) Upon receipt of the Entertainment Related Permit Application, the Port shall within ten (10) business days, review and recommend in writing that the Entertainment Commission either 1) approve or 2), deny the application or 3) approve with conditions or amendments. The Port shall review whether the use for which the permit sought is authorized under the Port's lease with the permit applicant and applicable City and Port land use controls for the subject area. In the event that either the subject lease or applicable land use controls prohibit the use for which the permit is sought, or the applicant requires a lease amendment or conditional use authorization prior to obtaining a permit, the Port shall provide written notice to this effect to the Entertainment Commission. Upon receipt of such notice from the Port, the Entertainment Commission shall deny the Entertainment Related Permit Application.

(b) Notwithstanding Section 5.2 (a), if the Entertainment Related Permit is for loudspeakers or an itinerate show, the Entertainment Commission may immediately upon forwarding the application to the Port pursuant to Section 5.1, contact the Deputy Director or the Deputy Director's designee by telephone to request review of the application, and provide written confirmation of the request to the Deputy Director or the Deputy Director's designee within 24 hours of making the request. The Port may recommend the 1) approval or 2) denial or 3) approval with conditions the application by telephone call to the Executive Director of the Entertainment Commission, and provide written confirmation of its recommendation to the Executive Director of the Entertainment Commission within 24 hours of the telephone call. Any written confirmation required by this section 5.2(b) may be by e-mail.

5.3. Section 5 of this MOU shall apply to all permit applications whether for administrative review and approval by Entertainment Commission staff, or review and approval by the Entertainment Commission.

5.4. The Entertainment Commission shall provide a copy of all applications and permits approved by the Entertainment Commission to the Port's Deputy Director or the Deputy Director's designee within two (2) business days of approval by the Entertainment Commission.

6. SUSPENSION AND/OR REVOCATION OF ENTERTAINMENT RELATED PERMITS

6.1 An Entertainment Related Permit may be suspended or revoked or withdrawn at any time by the Entertainment Commission in accordance with Chapter 90 of the San Francisco Administrative Code.

6.2 The Entertainment Commission shall notify the Port in writing of the Entertainment Commission's efforts to suspend, revoke, or withdraw an Entertainment Related Permit, at least seven (7) business days in advance of the Entertainment Commission's hearing on the suspension and/or revocation.

6.3. Prior to the Entertainment Commission's decision to either suspend, revoke, or withdraw an Entertainment Related Permit, the Entertainment Commission shall allow the Port to submit, in writing, comments and recommendations on the issue of suspension, or revocation, or withdrawal. Additionally, the Port shall have the right, but not the obligation, to provide oral testimony at any hearing.

6.4. The Entertainment Commission shall provide a copy to the Deputy Director or the Deputy Director's designee of all notices of suspension, revocation, or withdrawal of Entertainment Related Permits within two (2) business days of action by the Entertainment Commission.

7. TRANSFER OF ENTERTAINMENT RELATED PERMITS

7.1. The Entertainment Commission shall forward a copy of all completed applications for Transfer of Entertainment Related Permits the later of either twenty-four (24) hours of receipt by the Entertainment Commission, or the close of the next business day, to the Port. For the purposes of this MOU, the term "Transfer" shall mean the conveyance of an Entertainment Related Permit from the original permittee to another individual or organization.

7.2 Upon receipt, the Port shall within ten (10) business days, review the application(s) for Transfer, and recommend in writing that the

Entertainment Commission either 1) approve or 2) deny or 3) approve with conditions or amendments. The Port shall review whether the use for which the permit sought is authorized under the Port's lease with the permit applicant and applicable City and Port land use controls for the subject area. In the event that either the subject lease or applicable land use controls prohibit the use for which the permit is sought, or the applicant requires a lease amendment or conditional use authorization prior to obtaining a permit, the Port shall provide written notice to this effect to the Entertainment Commission. Upon receipt of such notice from the Port, the Entertainment Commission shall deny the Entertainment Related Permit Application.

7.3 Section 7 of this MOU shall apply to all applications for Transfer, whether for administrative review and approval by Entertainment Commission staff, or review and approval by the Entertainment Commission.

7.4 The Entertainment Commission shall provide to the Deputy Director or the Deputy Director's designee a copy of all applications for Transfer approved by the Entertainment Commission, within two (2) business days of approval by the Entertainment Commission.

8. APPLICATIONS FOR AMENDMENTS TO ENTERTAINMENT RELATED PERMITS

8.1. Prior to the issuance or denial of an application to amend an active Entertainment Related Permit, the Entertainment Commission, shall forward a copy of the completed application to the Port's Real Estate Deputy Director or designee within the later of twenty-four (24) hours or by the close of the next business day.

8.2. Upon receipt, the Port shall within ten (10) business days review and recommend in writing that the Entertainment Commission either 1) approve, or 2) deny the application or 3) approve with conditions or amendments. The Port shall review whether the use for which the permit sought is authorized under the Port's lease with the permit applicant and applicable City and Port land use controls for the subject area. In the event that either the subject lease or applicable land use controls prohibit the use for which the permit is sought, or the applicant requires a lease amendment or conditional use authorization prior to obtaining a permit, the Port shall provide written notice to this effect to the Entertainment Commission. Upon receipt of such notice from the Port, the Entertainment Commission shall deny the Entertainment Related Permit Application.

8.3. Section 8 of this MOU shall apply to all applications for amendment whether for administrative review and approval by Entertainment

Commission staff, or review and approval by the Entertainment Commission.

8.4. The Entertainment Commission shall provide a copy to the Deputy Director or the Deputy Director's designee of all applications to amendment approved by the Entertainment Commission within two (2) business days of approval by the Entertainment Commission.

9. PORT REPRESENTATIVE AT ENTERTAINMENT COMMISSION MEETINGS

9.1 Upon the request by the Entertainment Commission, a Port representative shall be present at Entertainment Commission meetings to provide comment on any Entertainment Related Permit before the Entertainment Commission.

9.2 Upon the request by the Port, an Entertainment Commission representative shall be present at Port Commission meetings to provide comment on any Entertainment Related Permit before the Port Commission.

10. APPEAL OF ENTERTAINMENT RELATED PERMITS

The San Francisco Port Commission has delegated the responsibility to hear appeals of any Entertainment Commission decisions regarding the issuance, denial, suspension, and/or revocation, transfer, and applications for amendments of Entertainment Related Permits on Port property in a manner that is consistent with the procedures set forth in San Francisco Administrative Code Chapter 90, and the San Francisco Police Code Articles 1, 15, 15.1, and 15.2. The Entertainment Commission shall provide written notice of appeal of an Entertainment Related Permit within twenty-four (24) hours to the Board of Appeals and the Port.

11. FEES

All fees resulting from the issuance, renewal and processing of applications for Entertainment Related Permits shall be paid to the Entertainment Commission.

12. NO COST TO PORT

It is the understanding of the parties that the Port shall not expend any funds due or in connection with this MOU. Therefore, the Entertainment Commission agrees to be responsible for all costs associated with any actions on the part of the Entertainment Commission pursuant to the MOU, including, but not limited to, the issuance or denial, the suspension and/or revocation, the transfer, or an application for amendments to Entertainment Related Permits.

13. DEPUTY DIRECTOR'S DESIGNEE

The Deputy Director's designee shall be such person authorized in writing by the Deputy Director or the Port's Executive Director to act on behalf of the Deputy Director. Such designation of authority may be for a limited period of time stated in the designation. The Deputy Director may terminate any designation of authority granted by the Deputy Director, and the Executive Director may terminate any designation of authority at any time, notwithstanding any previously stated term of the designation.

14. MODIFICATION

This MOU may be modified only in writing approved and executed in the same manner as this MOU.

15. ENTIRE AGREEMENT

This MOU and its exhibits contain the entire understanding between the Port and the Entertainment Commission with respect to the subject matter hereof.

16. EVENT OF DEFAULT

16.1. Failure to perform any provision of this MOU, or a failure to perform that is not cured within five (5) business days of written notice from the Port to the Entertainment Commission, shall constitute an event of default by the Entertainment Commission.

16.2. Upon occurrence of an event of default by the Entertainment Commission, the Port may, at its option, without further notice or demand of any kind to the Entertainment Commission or to any other person, terminate this MOU.

17. NOTICES

Any notice given under this MOU shall be effective only if in writing and delivered in person or by first-class mail or certified mail with return receipt requested or by overnight courier return receipt requested, with postage pre-paid, at the following addresses, or at such other addresses as either the Port or the Entertainment Commission may designate by notice as its new address:

Address for Port:	Deputy Director of Real Estate Director Port of San Francisco Pier 1 San Francisco, California 94111
Address for Entertainment Commission:	Robert Davis, Executive Director Entertainment Commission City Hall, Room 453 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102

IN WITNESS WHEREOF, the parties have caused this agreement to be executed as of the last date set forth below.

PORT
CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, operating by and through the SAN FRANCISCO PORT COMMISSION

By_____
Monique Moyer
Port Executive Director

Dated_____

Reviewed by:

By_____
Deputy City Attorney

Dated_____

ENTERTAINMENT COMMISSION

By_____

Title_____

Reviewed by:

By_____
Deputy City Attorney

Dated_____

Prepared by Jeffrey A. Bauer, Senior Property Manager_____

Exhibit A

Permit Name	San Francisco Police Code
After Hours / Extended Hours Premises	Section 1070
Amendment to Permits (minor)	Section 2.26
Amusement Parks	Section 1031.1
Bell or Ring Throwing Games	Section 1021
Billiard and Pool Tables	Section 1037
Circus	Section 1019.1
Masked Balls	Section 1029
Mechanical Amusement Devices	Section 1036(b)
Mechanical Contrivances & Others	Section 1045
Recreational Equipment Vendors	Section 1051
Rodeo Exhibition and Show	Section 1020
Itinerant Show	Section 1017
Loudspeaker – Commercial	Section 47
Place of Entertainment	Section 1060
Place of Entertainment – Amendment	Section 2.26
Loud Speaker Vehicle	Section 47

Exhibit B:
Excerpts from the San Francisco Police Code Related to Place of Entertainment and Extended Hours Premises Permits

ARTICLE 15.1: ENTERTAINMENT REGULATIONS PERMIT AND LICENSE PROVISIONS

Excerpted: See www.sfgov.org Municipal Codes under City Resources to obtain a link to the complete San Francisco Police Code or go directly to:

http://www.municode.com/Resources/ClientCode_List.asp?cn=San%20Francisco&sid=5&cid=4201

SEC. 1060. DEFINITIONS.

For the purpose of this Article, the following words and phrases shall mean and include:

(a) "Place of Entertainment." Every premises to which patrons or members are admitted which serves food, beverages, or food and beverages, including but not limited to alcoholic beverages, for consumption on the premises and wherein entertainment as defined in Subsections (b), (c), or (e) is furnished or occurs upon the premises.

(b) "Entertainment." Any act, play, review, pantomime, scene, song, dance act, song and dance act, or poetry recitation, conducted or participated in by any professional entertainer in or upon any premises to which patrons or members are admitted.

"Entertainment," in addition, is defined to mean and include the playing upon or use by any professional entertainer of any instrument that is capable of or can be used to produce musical sounds or percussion sounds, including but not limited to, reed, brass, percussion or string-like instruments, or recorded music presented by a live disc jockey on the premises.
....

(k) "Security Plan." A plan that (i) provides at least 1 security guard for every 100 persons authorized by the Occupancy Permit, (ii) secures a 50 foot perimeter in all directions around the location of the Place of Entertainment to prevent injury to persons and/or damage to property, and (iii) provides for the orderly disbursement of persons and traffic from the Place of Entertainment. The Entertainment Commission, in consultation with the San Francisco Police Department, shall develop rules and regulations implementing this section.

SEC. 1060.1. PERMIT REQUIRED.

It shall be unlawful for any person to own, conduct, operate, maintain or to participate therein, or to cause or permit to be conducted, operated or maintained, any place of entertainment in the City and County of San Francisco without first having obtained a permit from the Entertainment Commission.

Any place or premises where a permit to operate is sought must conform to all existing health, safety, zoning and fire ordinances of the City and County of San Francisco, and must have a valid public eating place permit from the Department of Public Health. The Entertainment Commission may issue a permit under this Section conditional upon the applicant receiving the other required permits.

....

SEC. 1060.5. DETERMINATION OF APPLICATION.

...

(f) The Entertainment Commission shall grant a permit pursuant to this Article unless it finds that:

(i) The building, structure, equipment or location of the proposed place of entertainment does not comply with or fails to meet all of the health, zoning, fire and safety requirements or standards of all the laws of the State of California or ordinances of the City and County of San Francisco applicable to such business operation; or

(ii) The building, structure, equipment or location of the proposed place of entertainment cannot adequately accommodate the type and volume of vehicle and pedestrian traffic anticipated; or

(iii) The building, structure, equipment or location of the proposed place of entertainment lack adequate safeguards to prevent emissions of noise, glare, dust and odor that substantially interfere with the public health, safety and welfare or the peaceful enjoyment of neighboring property; or

(iv) The building, structure, or location of the proposed one night event does not have an adequate security plan as required by this Section.

(g) An applicant whose application for a permit has been denied pursuant to this Section may seek immediate judicial review pursuant to Code of Civil Procedure Section 1085 or Section 1094.5. The applicant is not required to exhaust his or her administrative remedies before the Board of Appeals.

SEC. 1060.12. NOISE ABATEMENT.

Whenever, upon due notice and hearing, it shall be determined that noise from any establishment which has been issued a permit pursuant to this Article interfered with the right of persons dwelling in the vicinity of such establishment to the peaceful and quiet use and enjoyment of their property, the Entertainment Commission may require that the premises be soundproofed in a manner that in the judgment of the Entertainment Commission will be effective to eliminate the noise or reduce it to a reasonable level. In taking any action under this Section, the Entertainment Commission must balance all of the interests of the respective parties, as well as the hardship which will result from any order. If the Entertainment Commission finds that the noise complained of is of a minimum or inconsequential degree, no action shall be taken under this Article. If a permittee fails, within a reasonable time and in no event more than 60 days after having been ordered to do so pursuant to this Article, to abate any noise, his permit shall be suspended after a second hearing, due notice of which is given, until such time as he complies with the order.

....

ARTICLE 15.2: ENTERTAINMENT REGULATIONS FOR EXTENDED-HOURS PREMISES

Excerpted: See www.sfgov.org Municipal Codes under City Resources to obtain a link to the complete San Francisco Police Code or go directly to:

http://www.municode.com/Resources/ClientCode_List.asp?cn=San%20Francisco&sid=5&cid=4201

SEC. 1070. DEFINITIONS.

For the purpose of this Article, the following words and phrases shall mean and include:

(a) Extended-Hours Premises. Every premises to which patrons or members are admitted or which allows patrons or members to remain on the premises between the hours of 2:00 a.m. and 6:00 a.m. which serves food, beverages, or food and beverages, including but not limited to, alcoholic beverages, for consumption on the premises or wherein entertainment as defined in Subsections (b) and (c) is furnished or occurs upon the premises.

(1) Dance Academies. An extended-hours premises shall also include a dance academy wherein students are admitted between the hours of 2:00 a.m. and 6:00 a.m., and instruction is given in ballroom or other types of dancing, whether given to the students in groups or individually.

(b) Entertainment. Any act, play, review, pantomime, scene, song, dance act, song and dance act, or poetry recitation, conducted or participated in by any professional entertainer in or upon any premises to which patrons or members are admitted. "Entertainment" also includes a fashion or style show, except when conducted by a bona fide nonprofit club or organization as part of the social activities of such club or organization, and when conducted solely as a fund-raising activity for charitable purposes. (The term "professional entertainer" as used herein means a person or persons who engage in the presentation of entertainment for livelihood or gain.)

"Entertainment," in addition, is defined to mean and include the playing upon or use of any instrument that is capable of or can be used to produce musical sounds or percussion sounds, including but not limited to, reed, brass, percussion or string-like instruments; provided, further, that "entertainment" is defined to mean any instrument or device capable of producing or reproducing sound, which device is located in a premises open between the hours of 2:00 a.m. and 6:00 a.m.

...

Note: The remaining provisions of Article 15.2 substantially mirror the provisions of Article 15.1.

Exhibit C:
South Beach/Rincon Point Waterfront Land Use Plan
Good Neighbor Policies

Good Neighbor Policies. Tenant shall comply with the "Good Neighbor" standards described below. These "Good Neighbor" standards apply to bars, restaurants which sell alcohol, large fast food restaurants, and assembly and entertainment uses, unless the Port Commission makes a specific finding that a particular condition is unnecessary or infeasible:

(a) Any indoor and/or outdoor activity located within 300 feet of a residential unit shall, during the period from 10:00 p.m. to 6:00 a.m., ensure that sound levels emanating from such activities do not exceed the acceptable noise levels established by the San Francisco Noise Ordinance (San Francisco Police Code, Article 29 or any successor legislation thereto).

(b) The tenant shall post interior signs and request that patrons leaving the Premises after 10:00 p.m. leave the establishment and the neighborhood in a quiet, peaceful and orderly fashion and not litter or block driveways in the neighborhood. The tenant shall alert the San Francisco Police Department if exiting patrons are causing a disturbance.

(c) All garbage receptacles shall be enclosed and no garbage shall be put on the sidewalk for collection, except as permitted by Article 5.1 of the San Francisco Public Works Code or any successor legislation thereto.

(d) The tenant shall keep sidewalks fronting the Premises clean of debris and litter and shall walk a 100 ft. radius from the Premises sometime between thirty minutes after closing and 8:00 a.m. the following morning to pick up and dispose of any discarded trash left by area patrons.

(e) The tenant shall designate a neighborhood liaison contact person whose name and phone number shall be made available to the Port and to neighborhood associations in the area.

PORT OF SAN FRANCISCO

MEMORANDUM

January 2, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Resolution authorizing a delay in the implementation of the Airspace Encroachment Policy in Fisherman's Wharf

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution

Introduction

Due to a lack of public understanding about the Port's Airspace Encroachment Program and requests from the Fisherman's Wharf community, Port staff recommends a delay in the implementation of the Port's Airspace Encroachment Policy to March 13, 2007, which was scheduled to commence on January 1, 2007.

Background

On January 10, 2006, Port staff provided an informational presentation to the Port Commission regarding the development of a Sidewalk, Airspace and Curbspace Encroachment Policy in the Fisherman's Wharf area. On June 13, 2006, the Port Commission, by Resolution 06-48, authorized Port staff to enter into certain Sidewalk, Airspace and Curbspace Encroachment Permits in the Fisherman's Wharf area at rates recommended by staff and approved by the Commission.

Port staff hosted two workshops about the program, presented the program at the Fisherman's Wharf Advisory Group and the Northeast Waterfront Advisory Group, and mailed guidelines regarding the proposed program to affected merchants and property owners, along the south side of Jefferson Street from Powell Street to Hyde Street and along the west side of Powell Street within Port jurisdiction.

This Print Covers Calendar Item No. 8B

Despite this effort at public outreach, according to recent meetings with affected merchants and other members of the Fisherman's Wharf community, most of the community had focused its attention on the Sidewalk and Curbspace Encroachment portion of the Port's proposed policies – which are generally supported in the Fisherman's Wharf area – but less attention had been paid to Airspace Encroachment Program and accompanying rates of $30 per cubic foot. When affected merchants began computing the effect of these rates, many merchants with larger signs along Jefferson Street contacted the Port to encourage reconsideration of the Port's policy.

Attached as Exhibit A is a letter from the Fisherman's Wharf Community Benefit District requesting a delay in the implementation of the Airspace Encroachment Program. The Fisherman's Wharf Community Benefit District (CBD) is currently engaged in a community planning process for Fisherman's Wharf with the assistance of EDAW (Eckbo, Dean, Austin, Williams), an urban design, landscape, and environmental consulting firm. The Fisherman's Wharf CBD has indicated its desire to engage EDAW to conduct some further planning work to develop sign guidelines for the broader Fisherman's Wharf area (extending beyond Port property). Representatives of the Fisherman's Wharf CBD have suggested that such an effort, which could occur within the next two months, could better inform Port policies regarding airspace sign encroachments.

Recommendation

To better coordinate the Port's Airspace Encroachment Program with proposed sign guidelines for the Fisherman's Wharf area, Port staff recommends that the Port Commission delay implementation of the Airspace Encroachment Program until March 13, 2007.

Prepared by: Brad Benson, Special Projects Manager
For: Susan Reynolds, Deputy Director, Real Estate

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-06

WHEREAS, Section 3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port areas of the City and County of San Francisco; and

WHEREAS, the Port owns sidewalks, airspace and curbspace on the south side of Jefferson Street in the Fisherman's Wharf area within the City and County of San Francisco, State of California, which are Port Parks subject to the Port Code; and

WHEREAS, unauthorized encroachments on Port Parks may be deemed a misdemeanor or infraction under the Port Code; and

WHEREAS, the Port owns sidewalks, airspace and curbspace on the west side of Powell Street in the Fisherman's Wharf area which are not subject to the Port Code; and

WHEREAS, said sidewalks and airspaces adjoin commercial properties that are owned and occupied by others within the City and County of San Francisco; and

WHEREAS, numerous owners and/or occupants of said properties, and others, have made use of the Port's airspace without the Port's permission; and

WHEREAS, on June 13, 2006, by Resolution 06-48, the Port Commission adopted a Sidewalk, Airspace, and Curbspace Encroachment Policy for commercial and non-commercial activities within the Fisherman's Wharf area, including the Monthly User Rate Schedule, attached hereto as Exhibit B; and

WHEREAS, the Port Commission directed that the Port Staff issue new permits that shall become effective immediately, provided that User Fees would not be imposed until January 1, 2007; and

WHEREAS, the Port's Real Estate Division was contacted by representatives of the Fisherman's Wharf area, including the Fisherman's Wharf Community Benefit District, to express concern about the impact of proposed airspace encroachment rates on existing businesses; and

WHEREAS, the Fisherman's Wharf Community Benefit District has offered to conduct further community planning with the assistance of its planning consultant EDAW and Port staff to recommend a comprehensive program for signs in the Fisherman's Wharf area; now, therefore, be it

RESOLVED, that the Port Commission hereby delays implementation of the of the Sidewalk, Airspace and Curbspace Encroachment Policy for airspace encroachments for commercial and non-commercial activities within the Fisherman's Wharf area, until March 13, 2007; and

RESOLVED, That the Port Commission directs Port staff to work with representatives of the Fisherman's Wharf community to develop recommendations regarding the policy for airspace encroachments for consideration by the Port Commission.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 9, 2007.

Secretary

EXHIBIT A

LETTER FROM THE FISHERMAN'S WHARF COMMUNITY BENEFIT DISTRICT

Fisherman's Wharf
COMMUNITY BENEFIT DISTRICT

December 29, 2006

Port of San Francisco
Pier 1 on the Embarcadero
San Francisco, CA 94111

Attention: Ann Lazarus, President
Port of San Francisco Commission

Dear Ms. Lazarus,

On behalf of the Fisherman's Wharf Community Benefit District ("CBD"), we formally request that the San Francisco Port Commission postpone the implementation of the airspace encroachment program affecting properties along the south-side of Jefferson Street in Fisherman's Wharf for sixty (60) days to allow Port staff, the CBD along with EDAW, Inc. to review implementation of the program and to formulate a new policy that works in concert for the future planning of the entire Wharf Community.

It is the intention of the CBD to consult with those involved parties to achieve the goals of the Port in developing and maintaining standards for airspace encroachment in the Wharf, as well as to create a congruent signage program design to enhance the appearance of the businesses in our District.

On behalf of the affected businesses and property owners in the Wharf, we appreciate your consideration on this matter to grant a 60 day moratorium on the implementation of the airspace encroachment program. Passing this request for the delay in program implementation will allow time for the Port staff, CBD Board members and EDAW, Inc. to develop a comprehensive plan for airspace encroachment and signage of businesses in the Fisherman's Wharf community.

Respectively,

Chris Martin, Vice President
CBD Interim Board of Directors

Karen A. Bell, Executive Director

Cc: Kimberly K. Brandon, Vice President
Port of San Francisco Commission

Michael Hardeman, Commissioner
Port of San Francisco Commission

Rodney Fong, Commissioner
Port of San Francisco Commission

Monique Moyer, Executive Director
Port of San Francisco

Susan Reynolds, Director of Real Estate
Port of San Francisco

David Berbey, Secretary
CBD Interim Board of Directors

Tim Losch, Treasurer
CBD Interim Board of Directors

#2 Al Scoma Way, Pier 47 | San Francisco, CA 94133
T 415.673.3530 | F 415.673.2527 | www.fishermanswharf.org

EXHIBIT B

MINIMUM MONTHLY USER RATE SCHEDULE

To simplify administration and enforcement, most Encroachment Permits will be issued for full calendar months in three month terms and will not be pro-rated for partial months. Monthly fees that are less than $1,200.00 per month must be prepaid for the entire Permit term. Display tags will be issued for only the pre-paid period of the Permit term.

- Sidewalk Encroachments may not be more than two feet deep from the Port's property line.
- Airspace Encroachments may not be more than four feet deep from the Port's property line.

Rates for Sidewalk and Airspace Encroachments for non-Port tenants at Fisherman's Wharf:

Public amenities up to two feet deep	$ -0-
Signs, banners, etc. less than four inches deep affixed to adjacent non-Port property	$ -0-
Sidewalk Commercial Merchandise display encroachments up to two feet deep	$ 60.00 per square foot
Commercial table and chair encroachments up to four feet deep	$ 10.00 per square foot
Uplights mounted at sidewalk level or on adjacent building	$ 10.00 each light fixture
Signage on or imbedded in Port's sidewalk	$ 10.00 per square foot
Awning encroachment up to four feet deep with optional address	$ 0.75 per linear foot
Additional cost for Commercial signage on an awning	$ 10.00 per square foot
Commercial airspace encroachments up to four feet deep	$ 30.00 per cubic foot
Freestanding kiosks up to two feet deep and four feet long	$2,000.00

Fee for Curbspace:
A $24.00 daily rate based upon the $2.00/hour parking meter rate for the twelve hour operating window applied to each metered parking space or an equivalent non-metered curbspace. This rate may be amended in accordance with any adjustment by the Port Commission of the Port's meter rates.

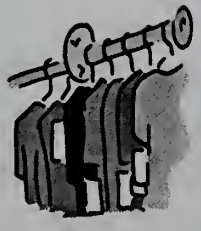
MONTHLY USER RATES FOR COMMERCIAL SIDEWALK AND AIRSPACE ENCROACHMENTS IN THE FISHERMAN'S WHARF AREA WITHIN THE PORT OF SAN FRANCISCO'S JURISDICTION











Airspace Encroachments:

80" above sidewalk and up to four feet deep per Port's Rules & Regulations:

- Awnings with optional street address:
$0.75/linear foot (length parallel to sidewalk)
- Two-dimensional commercial signage on an awning:
+ $10.00 per square foot

- Three-dimensional commercial signage: business name, products, logos, etc., measured as if inside a shipping box:
$30 per cubic foot

- Sidewalk and airspace uplights: $10.00 each

Sidewalk Encroachments:

Up to two feet deep per Port's Rules & Regulations:

- Commercial Merchandise displays & podiums associated with an adjacent indoor business:
$60.00 per square foot

- Signage on or embedded in sidewalk:
$10.00/sq. ft.

- Freestanding kiosks without an adjacent first floor business. Must also have an offsite storage area:
$2,000 per month

SAN FRANCISCO
PORT COMMISSION

JANUARY 9, 2007
MINUTES OF THE MEETING

5

9/07

DOCUMENTS DEPT.

FEB - 9 2007

SAN FRANCISCO
PUBLIC LIBRARY

MEMBERS, PORT COMMISSION

HON. ANN LAZARUS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. RODNEY FONG
HON. MICHAEL HARDEMAN

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
JANUARY 9, 2007

1. CALL TO ORDER / ROLL CALL

Commission President Ann Lazarus called the meeting to order at 2:05 p.m. The following Commissioners were present: Ann Lazarus, Kimberly Brandon, Rodney Fong and Michael Hardeman.

2. APPROVAL OF MINUTES - December 12, 2006

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; the minutes of the December 12, 2006 meeting were adopted.

3. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

At 2:10 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: 23rd Street along the bay floor to the San Francisco County Line
Person Negotiating: Port: Brad Benson, Special Projects Manager
*Trans Bay Cable LLC: Sam Wehn

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

4. RECONVENE IN OPEN SESSION

At 3:15 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn executive session and reconvene in open session; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in executive session; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

5. EXECUTIVE

A. Election of Port Commission Officers. The Port Commission Secretary announced that the newly elected officers will assume their posts immediately after today's meeting.

Commissioner Lazarus opened the floor for nominations of Port Commission President.

Commissioner Hardeman nominated Commissioner Ann Lazarus as President of the Port Commission; Commissioner Brandon seconded the motion.

Commissioner Lazarus was elected President of the Commission.

Commissioner Lazarus opened the floor for nominations of Port Commission Vice President.

Commissioner Fong nominated Commissioner Kimberly Brandon as Vice President of the Port Commission; Commissioner Hardeman seconded the motion.

Commissioner Brandon was elected Vice President of the Commission.

B. Executive Director's Report: Executive Director Monique congratulated the two newly elected officers of the Commission and thanked them for taking on another year of hard work and she also thanked the other Commissioners. She hopes that in 2007 they will have a new colleague to share some of the burden.

Ms. Moyer reported the following:

- Passing of John P. Leyden, former U.S. Customs and Border Protection Port Director: John Leyden passed away right after Christmas. John was highly placed in the U.S. Customs and Border Protection. He was a great friend to the Port. He retired last August. At that time, he came to the Port Commission meeting and we honored him for his friendship. He was terrific to work with and welcomed her when she came to the Port and looked after the Port's best interests. Unfortunately, he had a sudden accident right before Christmas that led to complications. It's with great sadness that we commemorate him. He had a wonderfully attended and humorous funeral in his hometown in the East Coast. He will be missed by all the maritime community. Everyone that knew him is in shock and in dismay. Unfortunately, we were just welcoming his replacement when the sad news occurred. His wife gave the eulogy and sent a copy to the Port. It was filled with remembrances of his great humor and

his relationship with his children and grandchildren. From having visited with him, he's a wonderful soul and we'll miss him.

- Fisherman's Wharf Community Benefit District. The election was held on December 12, 2006 of Port tenants. The private side of Fisherman's Wharf had approved and created a community benefit district previously conditioned upon also being created on the Portside. The election of Port tenants was held on December 12 and 94% of our tenants that were impacted voted to form the district. The district is expected to generate approximately $187,000 a year which will be used to help modernize and promote Fisherman's Wharf identity and market Fisherman's Wharf as well as do certain streetscape improvements and a catchall of whatever comes up along the way. The Port has been enjoying a tremendous relationship with Karen Bell, the Executive Director of the Community Benefit District. She's been very delightful to work with as have members of the board. The Port is very pleased that our tenants participated resoundingly. The district will run from Pier 39 north up to Fisherman's Wharf. However, it only includes the commercial properties. It excludes both the fishermen and the fish processors. She thanked Commissioner Fong, in his previous life, for getting that done; Supervisor Peskin who was a big proponent and an enabler of the district; Chris Martin, Karen Bell and Brad Benson who worked tirelessly to make that happen. We're looking forward to a renewed partnership and some assistance both mentally and financially in continuing to make the Fisherman's Wharf area the destination that it is.

- Cruise Terminal Blue Ribbon Task Force Kickoff Meeting – As you recall, when the transaction with Lend Lease terminated, Port staff proposed to create a Blue Ribbon panel to look at what options there are moving forward and to engender a citywide support for a project that benefits the City. The cruise industry generates a fairly moderate to small amount of income to the Port but a tremendous amount of income to the City through taxes, jobs and procurement of services and goods, etc. It's an important project not just for the Port but also for the City. Port staff felt that we needed to look at new ways to deliver this project which could include new financing models which could include general obligation bonds if the City were so enamored with the project. The first meeting of the Blue Ribbon panel would be January 25, 2007 at 9:00 a.m., in the Bayside Conference Room @ Pier 1. A panel was established consisting of 9 representatives with different backgrounds and expertise. Frankie Lee, a former Port Commissioner and an engineer, agreed to serve as chair; Ellen Johnck with the Bay Planning Coalition; Bruce Krumrine, the Director of Operations of Princess Cruises; Redmond Kernan who has his own practice and also a permanent member of SPUR; Steve Falk, Executive Director of the Chamber of Commerce. It is a tremendous honor for the Port that he has volunteered his time since this is City business issue. Joe D'Allessandro, Executive Director of the San Francisco Convention and Visitors Bureau, also very generous of him to donate his time. We're very happy to have it because this is a benefit that we are providing to those industries. Ben Rosenfield of the City Administrator's Office oversees the capital planning for the City and Michael Sweet of Winston and Strawn who is a resident of the Rincon area and a member of our Rincon Point South Beach CAC and William Adams who represents the ILWU. It's a fairly large group, a bit larger than we had originally proposed, hopefully, not too large to be cumbersome. There is a

tremendous amount of interest and for the last couple of years, there were about four or five additional volunteers who would love to be part of the conversation. All of the meetings are open to the public and they will be noticed the same way that we notice our Port Commission meetings. She encouraged as many people to come and contribute to the conversation as possible. There will be some technical consultants to assist staff and the panel. Creegan + D'Angelo Engineers who will continue to do analysis of the substructure of Pier 30-32 in particular. Phil Crannell, one of a handful of cruise terminal experts, who is based out of Florida but has agreed to help with this project and has been involved in several successful cruise terminals worldwide. We'll probably need the services of a planner and a financial advisor but we don't want to get those meters ticking just quite yet. We're holding off although we've identified people we'd like to ask. The purpose of the advisory panel is to weigh the different development scenarios and ultimately develop a series of recommendations to implement a cruise terminal project as well as the Brannan Street Wharf. At the first meeting, we will bring the committee members up to date of where we've been. This is our third attempt at a cruise terminal. Clearly, we are not doing something right. We need to look at lessons learned as well as where we can go. Ultimately, we are asking the panel to come back to the Port Commission with a recommendation. Some of the things we will ask them to look at for example, what are the tradeoffs between the piers substructure retrofit cost and the amount of revenues we can generate on the superstructure above the pier which we've addressed once before in the development plan. As you recall, there was quite a bit of mixed use to generate that economic engine but it doesn't appear to be enough. What is the relationship between the cost functions and aesthetics of the project? We've designed quite a beautiful structure but we continually hear from the cruise industry that post 9/11, it was as workable as they thought it should be which is why we have a representative from the cruise line on the panel. What is the feasibility of using different public funding sources e.g. maybe we can use some hotel tax money or there would be an interest in a bond or maybe it really is for the Port to fund on its own and that's what we need to discuss. She invited everyone to attend the meeting on January 25, 2007. We are hoping to have one meeting per month and within six meetings, come to a solution and a recommendation. That's incredibly optimistic but we want to have a goal to shoot for. We couldn't be more flattered by the number of talented people who are volunteering their time and continue to come forward and offer to volunteer.

- Seawall Lot 337. We are also kicking off another planning process as it relates to Seawall Lot 337 which is commonly known as Lot A. It is currently leased to China Basin Ballpark Company through 2009, primarily, for purposes of parking for AT&T Park. On non-game days, it ends up being miscellaneous parking mostly for commuters. That lease expires in 2009. The seawall lot represents an important asset for the Port to generate the badly needed revenues. As you may recall, currently, under the City's General Plan, the lot is known for wetlands and open space. Under the Seaport Plan, it can only be used for cargo-support. The vision at one time was that there would be containers stacked on that lot. Neither of those seem to be modern enough for the Port's current needs. We want to work with the community and others to decide how to move that property forward. It truly represents our best economic opportunity looking forward and looking to the southern waterfront. As you recall, we created a separate committee from the Central Waterfront Advisory Group who

wanted to stay focus on Pier 70 to work on that project. We've actually created a subcommittee of the Port Commission. She thanked Commissioners Lazarus and Brandon for volunteering to be on the subcommittee. The kickoff meeting will be January 31 at 4 p.m. in the Port Commission hearing room as a subcommittee meeting and there will be various subcommittee meetings and hopefully public workshops which may be outside of this room to get the process going. Because it's a subcommittee, it will only be the two Commissioners but we are trying to include representatives from the CWAG, Mission Bay Advisory Committee, the Rincon Point South Beach CAC and the Dogpatch Neighborhood. Joe Boss and the San Francisco Giants are representatives and any others that would like to participate. We have no preconceived notions other than we need to get moving and decide what we are going to do there and in tandem with the all the work that's going on.

- 2007 Port Security Grant Program. Today, the 2007 Port Security Grant Program was announced by the federal government. The Ports of Oakland, San Francisco, Richmond, and Stockton, being termed under the grant program as a bay area port area, are being considered at Tier 1 security level. As you may recall, when TSA handed out the 2006 grants, they somehow determined that Port of Oakland was a Tier 3 and Port of San Francisco was a Tier 4. As you can imagine, that created quite an uproar and Congresswoman Pelosi and Senator Feinstein did a lot of homework and worked with both ports, Oakland and San Francisco, to understand how that criteria came to be. Thanks to their good work, we've now come to the conclusion that it really is more a threat. Mayor Bloomberg appeared in front of Congress today and he called the security fund program a honey pot in which Congress was simply handing out money throughout the state. She thought that was aptly named. Hopefully, we are going to see a new day and we're going to put security money where the security threats exist. Together with Richmond, Oakland and Stockton, we need to compete for $11 million in security funds. At least, we're in the mix and we're quite happy about that. No doubt you will hear more from us about it as it becomes known.

- Queen Mary II Maiden Call – The QMII is coming to the Port of San Francisco. She will be arriving on February 4 and departing on February 5, 2007. We are hoping that the Commission will be able to participate in the events. It turns out that on the same day, we will also have cruise ship, the Dawn Princess, at Pier 35. The QMII will be at Pier 27. Between the two ships, we expect to see 8,600 passengers and another 2000 crew. It will be a very energized time at the Port between sunset on February 4 and sunset on February 5. The QMII is hoping to sail under the Golden Gate Bridge right around the kickoff of the Super Bowl. Nonetheless, they intend to come in about 4:00 p.m. The Golden Gate Bridge district is volunteering to set up some viewing areas for both the media and the public to see the ship come in. It will hang out in the bay until slack water which is about 8 p.m. that night and then it will berth at Pier 27. On February 5, 2007, there will be a plaque ceremony. The Port always presents a plaque to a ship the first time it calls. There's going to be very tight security. Unfortunately, it will not be open to the public for viewing. As part of the plaque's ceremony, we hope to entice them into giving us a tour. There will be a luncheon to honor everybody. We've been having an enjoyable time working with Cunard and their representative. We're also working closely with the Police, the Department of Parking

and Traffic and Fire Department on traffic mitigation and other issues. It should be akin to our day in May when there were four ships in port. While there were definitely impacts, it was happily accepted as a one-time occurrence. She hopes that people will feel the same sense of interest and pride when the QMII is in port.

Ernestine Weiss asked if the Fisherman's Wharf foot police is included in the community benefit district. She also mentioned that the 9 a.m. meeting of the Blue Ribbon Panel is difficult for people to attend. She asked staff to consider setting it at 5:30 p.m. when people are back from work.

Jeffrey Leibovitz indicated that over the last six years, he's served on several committees related to Pier 30-32 and the Brannan Street Wharf. He met in person with the Port's Executive Director several months ago allowing her to consider him for the new committee. He would be an asset to the committee. As the Director pointed out to him over the years, she works for the Commission and that these decisions are handed down to her from the Commission. You are her bosses. With that said, he represents portside condominiums, 220 units of residential development which is the closest residential building to Pier 30-32. They have a vested interest in what takes place across the street from them. They have a vested interest in South Beach. He personally has a vested interest. He would be an asset to this committee. He would bring institutional memory to the committee. He has been involved with this process from the RFP committee up until the CTEAC committee which he still serves on. He asked the Commission to direct the Executive Director to allow him to serve on the committee.

In response to Ms. Weiss's questions, Ms. Moyer replied that under the Police Code, only the police have certain jurisdictions which include anybody that touches the street. The community benefit district is having what they call an "ambassadors" who would not be able to issue citations but would have a relationship with the Police Department and would contact the department when infractions or other events occur. Commissioner Fong added that they've looked into a 10B officer program and it's very costly. They are seeking some grants for security to try to supplement that cost. Director Moyer is right that an ambassador program seems to be the appropriate solution. They would be similar to the ambassadors they have at Union Square that wear red jackets. They are not deputized in anyway but they can assist people.

In response to Ms. Weiss' question on starting the Cruise Terminal Blue Ribbon Panel meeting at a later time, Ms. Moyer replied that some members of the panel are coming in from out of town. We picked that day because there will be a cruise ship in town at Pier 35. We're going to be giving them a tour of Pier 35 and the cruise ship. At this point, given their travel schedules, we can't change the time but we will certainly make an effort later going forward. She deferred Mr. Leibovitz comments to the Port Commission.

6. CONSENT

A. Quarterly Project Update for the Illinois Street Intermodal Bridge Project.

7. PLANNING & DEVELOPMENT

A. Request approval to extend license agreement for eight months with Topher Delaney for the Temporary Public Art located in Aqua Vista Park as a component of the City's Blue-Greenway effort. (Resolution No. 07-01)

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 07-01 was adopted.

B. Request approval to extend license agreement for eight months with William Wareham for the Temporary Public Art located at the Third Street and Cargo Way Gateway Open Space as a component of the City's Blue-Greenway effort. (Resolution No. 07-02)

Port Commission Secretary announced that David Beaupre will present Items 7a and 7b together.

Mr. Beaupre requested Commission's authorization to extend for eight months a no-fee License Agreement for Temporary Art located at Aqua Vista Park and the Third Street and the Cargo Gateway Open Space each as a component of Mayor Newsom's Blue Greenway Task Force recommendations.

On June 13, 2006, the Commission approved a six-month, no-fee license agreement and the installations have been successful in attracting new users to the site and enhancing the neighborhoods within which they are located. The reason staff is requesting a no-fee license is because it's a non-commercial use which benefits and enhances Port facilities. The request came from not only the residents of the areas but also the Neighborhood Parks Council and the artists. We notified the advisory groups of this meeting and of their request of the extension. We also notified Hanson Aggregates which is one of the tenants who created the Third and Cargo Gateway open space. They didn't see any problems with extending the license agreements.

We selected eight months because that will allow the installations to occur through the summer of 2007. The artists have acted as stewards to the site, which was not a requirement of the license. The stewardship included litter pick up and graffiti abatement, primarily. BCDC has indicated approval of extension for Aqua Vista site. The Third and Cargo Gateway site is out of their jurisdiction.

These sites were just two of many sites recommended for temporary art along the Southern Waterfront's Blue Greenway. The Port will continue to work with the Mayor's office, the Art Commission and local art groups to help continue and further the program. At this point in time, there is no funding in place to continue the program to expand it for these sites or for future sites but we will work with the Mayor's office and the Art Commission to develop a funding program to further it.

Corinne Woods, representing the Neighborhood Parks Council (NPC), indicated that she's working with the NPC specifically on the Blue Greenway Project. These art installations have been very popular and they'd love to see them extended. They have no

money. One of the things they are looking to do is to expand and move forward the arts program because it brings people to the waterfront. It's an integral part of the Blue Greenway effort and they hope they can get the extension.

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 07-02 was adopted.

C. Informational presentation on coordination with the San Francisco Redevelopment Agency (SFRA) on a community planning process funded by a grant from the Association of Bay Area Governments (ABAG)/Bay Trail project to study pedestrian and landscape improvements to Cargo Way.

Mr. David Beaupre, Planning and Development, indicated that this is an informational presentation on coordination with the San Francisco Redevelopment Agency (SFRA) on a community planning process funded by a grant from the Association of Bay Area Governments (ABAG)/Bay Trail project to study pedestrian, landscape and possible bicycle improvements to Cargo Way.

Cargo Way is located in the Port's Southern Waterfront and serves as the primary access way to the Port's Pier 90–96 cargo facilities, the Inter-modal Cargo Transfer Facility and Heron's Head Park. The roadway was constructed by the City's Department of Public Works as a component of the SFRA India Basin Industrial Park in the early 1970's. It is also the designated alignment of San Francisco - Bay Trail, a 500-mile multi-use regional trail planned to encircle the entire San Francisco Bay. Currently Cargo Way has very narrow or no sidewalks.

Mayor Newsom's Blue Greenway Task Force and the Port's Backlands Planning process identified the opportunity to enhance Cargo Way for pedestrians and landscaping. Additionally, the Department of Parking and Traffic conducted a preliminary analysis and determined that Cargo Way may have the capacity to be improved for more types of users.

The SFRA coordinating with Port staff applied for and received a grant in the amount of $75,000 from ABAG- Bay Trail program to study potential improvements to Cargo Way. Since Cargo Way is located within the Port's jurisdiction and serves its operations, the Port will coordinate with SFRA staff on the planning process. The proposed community planning process includes working with the Port's existing Advisory Groups, including the Southern Waterfront Advisory Committee (SWAC) and the Maritime Commerce Advisory Committee (MCAC). In addition, the SFRA will work with the Bayview Hunters Point Project Area Committee and the Hunter's Point Shipyard Citizens Advisory Committee.

While Port staff recognizes there is an opportunity for pedestrian, bicycle and landscape improvements to Cargo Way, the planning process must recognize the needs of the existing Port tenants and the future build out of the Piers 90-96 cargo terminal as well as the intermodal railyard.

Once the planning is complete, the SFRA working with the Port and other City agencies will work towards identifying and securing funds to design and construct the recommended improvements.

SFRA and Port have been working with ABAG and the community on selecting a consultant team to assist in the planning process. A recommendation is being made to the SFRA Commission to retain a consultant group next week. We are aiming to begin the process in February.

As the planning process moves forward, we will report back to the Port Commission the outcome of the process. If any improvements are recommended as a part of the planning process, staff will seek Port Commission's approval because it is within the Commission's jurisdiction.

Corinne Woods indicated that this is a very important part of linking the parts of the Bay Trail together and it's a tremendous opportunity to see whether we can get decent pedestrian and bicycle access and maintain good access for Port vehicles particularly large trucks that have to use that road. The planning process itself will tell us a lot. We are hoping that this will also inform the EIR that is being required to extend the bicycle routes in San Francisco. It all comes together. This is an important thing to do right now.

D. Request Endorsement of Amended and Restated Development Memorandum with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets). (Resolution No. 07-03) **THIS ITEM WAS TAKEN OFF THE CALENDAR.**

E. Request Approval of Fourth Amendment to the Amended and Restated Exclusive Negotiation Agreement with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets). (Resolution No. 07-04) **THIS ITEM WAS TAKEN OFF THE CALENDAR.**

8. REAL ESTATE

A. Request approval of resolution authorizing the Executive Director to execute a Memorandum of Understanding with the San Francisco Entertainment Commission to transfer responsibility for the issuance and administration of Entertainment Related Permits from the Port to the Entertainment Commission. (Resolution No. 07-05)

Brad Benson, Special Projects Manager, indicated that Jeff Bauer, Senior Property Manager presented this item as an informational item at the October 10, 2006 Port Commission meeting. We received a lot of feedback from the advisory groups and other Port neighbors as this is a very important issue to them. While we at the staff level had thought that we had consensus around the proposed approach as outlined in the staff report and the attached MOU, we are hearing that people want a little bit more time to take a look at this item. We've heard two issues that have been raised that should probably be addressed. We are going to recommend that while we discuss the item and go over one major policy issue which is outlined in the staff report that we

would prefer a little time to work with the community on these issues and come back on consent at a later calendar.

Mr. Benson introduced Virginia Dario Elizondo of the City Attorney's office. She's been instrumental in helping Port staff understand the issues. The Administrative Code authorizes the San Francisco Entertainment Commission to administer a variety of entertainment-related permits with respect to Port property. They include some bizarre permits like amusement park permits but the more routine ones involve loudspeaker authorization and also place of entertainment permits. It's the place of entertainment permits that are of primary interest to the Port and to our neighbors. The Entertainment Commission is required under the Administrative Code to gain permission from the Port Commission to administer these permits. If the Port Commission chooses not to grant that permission to the Entertainment Commission, it would have to follow the guidelines for permit issuance that are described in the police codes. Generally speaking, many of these permits have a first amendment component to them. If applicants meet a minimum set of standards, the guidance to the Entertainment Commission is that the permits shall issue. The Port Commission would be bound by similar guidance from the code. In 2004, the Port Commission elected to delegate the responsibility to the Entertainment Commission under an MOU which has seen expired but is holding over on at month-to-month basis. This MOU would replace that prior MOU. Place of entertainment permits and extended hours premises permits gain the most attention. These places of entertainment permit involve serving alcohol and some entertainment activity combined. Extended hour premises permits allow a place of entertainment to continue operation between the hours of 2 a.m. and 6 a.m. but without serving alcohol. There has been some controversy related to a Port tenant and extended hours premises permit at Kelly's Mission Rock that the Commission is aware of that was the subject of an enforcement action by the Entertainment Commission and gained a lot of attention from the Central Waterfront community.

Port staff has negotiated, with the great assistance of the Entertainment Commission staff, an MOU that would delegate the permitting authority and permit administration. The Port would have new rights to advise so the Entertainment Commission staff would come to the Port and ask for Port staff's opinion when it receives a permit application. The Port could formally offer its opinion about the wisdom of issuing, denying, transferring or amending the permit. New to this MOU is a provision that allows the Port to look at the lease and see whether or not the activity that is proposed for the permit is permitted under the lease agreement and to look at the land use controls governing the area, whether they are the underlying City zoning or the Waterfront Land Use Plan (WLUP) as it might be amended in the future. If we find that it's not consistent with the lease or the WLUP, the MOU prohibits the issuance of the permit. One of the comments that we heard from Corinne Woods is that we tighten up the language. Right now, the MOU suggests that upon notice that it's not permitted under the WLUP control or the lease, that the permit shall not be issued. We might want to work and tighten that language but staff will seek Commission's approval.

The big policy that staff would like direction from the Port Commission is the matter of appeals. It was after we performed the significant public outreach that we identified this

issue. Generally speaking when the Entertainment Commission issues a permit with respect to other city property or makes a decision with regard to a permit, either the permit applicant who does not like the decision or a member of the public has the right to appeal the decision of the Entertainment Commission to the Board of Appeals. With respect to Rec & Park property, Rec & Park has not delegated their permit issuance and administration, responsibilities to the Entertainment Commission. They administer them. There is no appeal with Rec & Park. Members of the public can't appeal a decision nor can permit applicants. The matter would have to go straight to court if somebody had a problem with Rec &Park's decision. The Board of Appeals has some enabling language in the City Charter that talks about them hearing appeals of matters related to permits other than the Rec & Park Commission and the Port Commission. There is a question about whether or not the Board of Appeals would have jurisdiction should the Port Commission choose to delegate it. There is a question whether or not they could hear appeals. In summary, there are three options that are available to the Port Commission: (1) to direct staff to negotiate with the assistance of the City Attorney's office an MOU with the Board of Appeals to hear appeals of matters decided by the Entertainment Commission; (2) the Port Commission could keep the appeal responsibility to itself. To delegate the permit issuance and administration activities to the Entertainment Commission but hear those rare appeals when they occur; (3) not have appeals and allow court to be the next step for somebody who is unhappy with the decision. Those are the choices available. Staff would appreciate Commission's thoughts at the conclusion of public testimony. There are some related policy considerations. When we are writing new port leases for restaurant that may be engaged in entertainment related activity, it could be that the real estate division of the Port might want to start imposing some time limits for the hours of operation. As a contractual matter, the Port could write a lease such that somebody engaged in a place of entertainment activity would be required by contract to stop by 2 a.m. It could be a way to get to know how a tenant operates their business and how they relate to the community. Another option could be incorporating some of the land use controls that are written into the WLUP with respect to the Rincon Point South Beach area. There are some good neighbor policies that were devised in consultation with the community. Those could be written into the lease as well. Finally, there are some notification issues that we should work on with respect to these types of leases in the future. We are hearing that people are interested to know that they are coming forward, they are being considered. We may want to develop an email notification system for our advisory groups.

Joe Boss indicated that he is representing the Potrero Boosters Neighborhood Association and the Dogpatch Neighborhood Association who spent quite a bit of time as did the Port dealing with the matter of Kelly's Mission Rock. It was the Entertainment Commission's feelings for the first time in a major complaint. Needless to say as time has gone on, citizens have watched very closely the actions of the Entertainment Commission's lack of enforcement and probably even more so, a lack of outreach to the community. In this case, he thinks that the Port has done a very commendable job of outreach to the community. The only difficulty is that when it was last presented to the community, there were a lot of outstanding issues such as appeals and some of the issues that Mr. Benson brought up. It was the understanding that once

those details were worked out, the Entertainment Commission would come back to the Dogpatch and Potrero communities as well as to the SWAC and CWAG and that has not happened. He understands that since we are on a month-to-month, what's in place is in place. He asked that before a final decision to accept the MOU is made that it comes back to the community. On the substance of the MOU, there are two main issues that they have difficulty with i.e. the Port has to go back within ten days to the Entertainment Commission when you're doing a lease. The Port is very efficient and moves very quickly but ten days passed is very quickly and his understanding from that language would be that it would be basically ceding the Port's ability to get involved. He suggested changing the language to 30 days. Finally, the appeal. Considering the existing leases will not be encumbered by the Entertainment Commission, the new leases that are coming up will be. The Port will not see that many difficulties and that many appeals. Having worked with the Board of Permit Appeals, it would be best for the Port to go ahead and have the Port accept that responsibility for those appeals because they will be few, far and between. The Port will have a very much vested interest. It's a good neighbor policy for the Port.

Topher Delaney owner of 600 Illinois indicated that she suffered through one of the most egregious processes of Kelly's Mission Rock for two years, with the Police, with the Entertainment Commission. It's their opinion that the Entertainment Commission is the fox in the hen house. They received no help from the Entertainment Commission. There's one person, who while a nice person, was of absolutely no support. They were threatened when they opened their mouth about the death that happened at the club on the street. They were told it didn't happen. It did happen. She has no idea what staff is talking about. No one on their street has been notified. They are right next to the Port. She does not know what outreach has happened. Certainly, none of them who are vilified and attacked as neighbors and tried and continue to try to get Kelly's Mission Rock and they are quiet right now to at least be good neighbors and not have to call the police or not have to charge the city for constant monitoring. She has not read the staff report and knows nothing about this item. She thinks that if any of their neighbors knew about this issue they would be here because they need to have in place different levels of protection from the Entertainment Commission because they do not represent them as non-entertainment element in the community. It was a very shocking experience that she went through. If they are renting from the Port, the Port should have the last word. The Port Commission should not cede its power to the Entertainment Commission. She's sorry she has not read the staff report. She knows nothing about it. She does not see a single neighbor who would be here. They were vilified, they were attacked for trying to have basic human services in their area.

Jeffrey Leibovitz indicated that they were responsible for the good neighbor policies when the Giants Ballpark was brought to them. They've worked over the years. He hates to see the Port Commission and the Port advocating its responsibilities to the community. What he sees is a new dawning in San Francisco. In his opinion, it does not bode well. There were a lot of events at Pier 30-32 that's why they pushed to have that pier developed as to an asset to the City. Obviously, it's an asset to the Port when it generates revenues through its entertainment venues. Anybody who has been in front of the Board of Appeals knows that it's a waste of time, most of the time, unless you have

a substantial legal footing. When he sees a new restaurant or a liquor establishment, he does not even bother. He goes straight to ABC and appeals it until they accept the conditioned license. That way, we have the weight of the State behind us. We don't have to screw around with bureaucracies in the City. A lot of them are waste of time. What kind of notification? The folks at Portside do not get notified. The only way that they are notified is when there is a venue across the street at Pier 30-32 and when he informs them as a board member through the CAC. The CAC is informed. The Port does not have a notification process in place. Before the Port advocates its responsibilities to the people of San Francisco, particularly in the new neighborhoods, the southern waterfront and South Beach, the processes should be in place. Good neighborhood policies work. They've worked over the years. The Warp Tour got off to a bad start. Bill Graham Presents got off to a bad start. It was because of their involvement with the Port's staff that they were able to rein them in. They were able to establish controls that made it compatible with the neighborhoods. You don't have those controls at the Entertainment Commission. They have a pornographer who sits on the Entertainment Commission appointed by the bureaucracy that oversees it. As Ms. Delaney mentioned, it's a fox in the hen house. It is and they know that. He was opposed to the Entertainment Commission from the get go when he realized who the members are going to be. He asked the Commission to keep that in mind when the Port begins to advocate its responsibilities. And there's no hard feelings on the Commission's vote as far as the last item that he brought up.

Commissioner Hardeman asked how many appeals have we ever had that has anything to do with entertainment. Mr. Benson replied that to his knowledge, there are none. Commissioner Hardeman indicated he does not remember of any appeal or any problem that came back to the Commission or heard about. If we deny them the appeal, they have to go to court. They don't waive their right to go to court just because we have an appeal process. Mr. Benson indicated that the permit applicant always retains their right to go to court. It's a little bit more difficult for a member of the public who is on the other side of the equation to hire an attorney and meet the rigorous legal standards that might be required to prevail in court. Again we go back with some of these permits to "as of right" type of permits that the code sets forth. There are only certain reasons that a permit can be denied. As an individual to challenge that permit issuance is difficult.

Commissioner Brandon indicated that outreach is high on her list and she wondered why staff didn't go to the Northern Waterfront Advisory Committee and the Fisherman's Wharf community. Mr. Benson replied that he does not know when the Northeast Waterfront group meeting was. He does not believe that they've met in the last period of time. With respect to Fisherman's Wharf, there is less of an immediate adjacent residential community. Most of the people in the Fisherman's Wharf are already permitted for this activity who maintains places of entertainment. We have some time. Staff can certainly make a presentation to the Fisherman's Wharf Advisory Group. With respect to the other groups, staff made a presentation to the Central Waterfront Advisory Group a couple of times. They also made a presentation to the Rincon Point South Beach CAC and the Southern Waterfront Advisory Group. Staff did not have an understanding that people approved of the general strategy but staff is always open to comments from people. If the Commission desires, staff will make a presentation to the Fisherman's

Wharf Advisory Group. Commissioner Brandon concurred with Mr. Benson's suggestion.

Commissioner Lazarus asked if there is a plan for moving this project forward and when it will be brought back for Commission's consideration. Mr. Benson replied that he would like to consult with the community. He'd like to spend time with Topher and other folks she would recommend in her area. It was not his intention to exclude anybody. The Port has a formalized community advice system set up that we are taking advantage of. Perhaps putting this item on the consent calendar is not the right way. People might like to have more of a debate about this than consent would allow. Staff will follow up with the Fisherman's Wharf Advisory Group and will also talk to the Dogpatch and Potrero Neighborhood. He will follow up with Topher Delaney and come back to the Commission with a recommendation.

Commissioner Lazarus asked Mr. Benson for his thoughts about the appeals. Mr. Benson replied that it's a policy matter for the Commission but he thinks that the easiest thing given their infrequency would be for the Port Commission to retain that role. We can try with the Board of Appeals. He thinks that it may be a difficult sell to say that people would just have to go to court if they don't agree with the Entertainment Commission.

Commissioner Lazarus asked how it works with the Rec & Park. Mr. Benson replied that there has been some public dissatisfaction with the lack of an appeal avenue. He does not know how widespread it is. They're a little bit different in a park-kind of setting. He does not know how close they are to residential neighbors when they are permitting these activities. Some of the events in the Golden Gate Park probably would draw some opposition.

Commissioner Lazarus asked if they saw frequency as potential issue for why the Rec & Park Commission decline to hear appeals and force people to go straight to court. Mr. Benson replied that it's a little redundant if the Rec & Park Commission is deciding the issue initially, permit issuance or some sort of enforcement action, then for them to sit as appellate bodies. Virginia Elizondo, from the City Attorney's office and the attorney for the Rec & Park Commission, indicated that the Rec & Park Commission does not have places of entertainment so it's not an issue. For Rec & Park Department permits, there are two step processes. Staff reviews the process and there are certain permits that go to the Commission. If a permit has been approved by the Commission, then the only appeal process is a reconsideration by the Commission. They can make a motion and put it on their agenda and hear it again. If it's a decision that has been made by staff, it can go to the Commission for appeal. There are provisions in the Park Code for an expedited appeal. It's important to understand that these permits are subject to first amendment protections so you can only have reasonable time, place and manner criteria for granting these that's why the Police Code is pretty strict. In the way it lays out, the approval process speaks more in the negative that you can only deny a permit xyz. The time frames are also built into the Police Code. There is supposed to be a hearing on an application for a place of entertainment permit within 45 days so that's why the time frames in the Port/Entertainment Commission MOU are such that all the administrative work could be done to give the applicant the opportunity to be heard in a timely fashion.

Commissioner Fong asked if this process applies to temporary use for entertainment. Ms. Elizondo replied that it depends. There would probably be a loudspeaker permit, a one-night event permit or a dance permit. All of those tend to be short term.

Ms. Moyer reiterated the schedule. As Mr. Boss alluded to, we are still operating under the old MOU which is, to the point of view of the community, grants the Entertainment Commission far more rights than the currently proposed MOU. We can take as long as we need but in the meantime, the controlling document is sufficiently different than the one we are proposing. The existing MOU is what we are operating under.

Commissioner Lazarus indicated that it's in everybody's interest to expedite this process. Ms. Moyer replied affirmatively. She does not know of anything that is urgently coming up on the Port as a new permit and she's not aware of any particular activity for which we are getting complaints that would go to the Entertainment Commission. As you know we have a vacancy at the property that was known as the pound. We are looking to do something with that property. We will address some of the issues through our property rights by how we write the lease but we are bound by the Entertainment Code whether you retain at the Port level the issuance of such permits or you administratively give that to the Entertainment Commission so some of the things that she heard the speakers talk about are invented in the Charter and would require Charter amendment to create the change that they're looking for.

Commissioner Lazarus asked if they need to make a motion to delay this. Mr. Benson replied no.

Commissioner Hardeman thanked Brad Benson for all the work he's put into this matter.

B. Request approval to delay implementation of the Airspace Encroachment Policy located on the south side of Jefferson Street and the west side of Powell Street from January 1, 2007 to March 13, 2007. (Resolution No. 07-06)

Commissioner Fong recused himself from voting on this item.

Susan Reynolds, Deputy Director of Real Estate, indicated that on January 13, 2006, the Port Commission authorized Port staff to enter into a Sidewalk, Airspace and Curbspace Encroachment Permit Program in the Fisherman's Wharf area. As of January 1, 2007, the sidewalk and curbspace encroachment programs are proceeding as approved. This program was developed with the goals of providing better pedestrian mobility, comply with federal and state accessibility regulations, reduce or eliminate unattractive commercial encroachments and to reduce Port maintenance expenses. As the application process proceeded, it became apparent that there was a public misunderstanding as to how the airspace encroachment process was going to work and be priced. Port staff began meeting with the community benefit district (CBD) staff and members to hear their concerns about pricing and to start discussions about developing and implementing their own need for assignee's policy for the whole area. The CBD is currently engaged in a planning process with the assistance of EDAW, an urban design and environmental consulting firm and their mission is to develop sign guidelines for the broader Fisherman's Wharf area. Port staff is committed to working with the CBD and other merchants to develop and implement a signage program that will be compatible both with

the Port's encroachment policy and a program and a policy that will be equitable for both the Port and the affected merchants. The CBD is requesting and staff concurs and recommends the postponement of the airspace encroachment portion of this program until a new proposal can be presented at the March 13, 2007 Commission meeting.

Commissioner Lazarus indicated that staff intends to come back in approximately two and a half months with a solution that would become the effective date of the policy.

Ms. Moyer asked if the Commissioner is asking if that is the date that we start making an assessment of rental. There is a difference between setting the rental rate and the term versus the actual implementation. Ms. Reynolds indicated that this item will come back to the Commission on March 13 for its approval. It would be implemented after that.

Commissioner Lazarus indicated that the wording on the item makes it sound like it would be effective March 13, 2007. Ms. Reynolds indicated that the new proposal will be presented on March 13. Ms. Moyer added that as the Commission may recall, they voted on this program in June 2006 and we allowed six months to get everybody permitted and it wasn't until December that the issues arose. Lesson learned we gave too much time as a courtesy and we need to make it shorter not to mention that this has been going on for some time. Ms. Moyer asked Ms. Reynolds how many permits we have to grant for the airspace encroachment. Ms. Reynolds replied that there's over 80 signs but to this date, we only have 12 applications. There was resistance with the merchants to fill out the applications and sending it in because they were afraid that it would trigger the program and there were some concerns around that.

Commissioner Lazarus reiterated that when staff returns on March 13, there will be a recommended date for implementing the policy. Ms. Reynolds replied affirmatively added that there will probably be some recommendations for changes to the original proposal. Ms. Moyer indicated that the Commissioner is correct that this reads as though the new fees will take effect March 13. When staff comes back on March 13, we'll have to ask again for a delay to the implementation date. We'll have to figure out how many people we need to get permitted and what's a reasonable use of our time to accommodate them and we'll make that proposal to the Port Commission on March 13, 2007.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. Three of the Commissioners were in favor; Commissioner Fong recused himself from voting on this item. Resolution No. 07-06 was adopted.

9. NEW BUSINESS / AGENDA SETTING

Commissioner Fong indicated that there was a last-minute change in the traffic flow at the intersection of Taylor and Little Embarcadero right before the New Year's Eve weekend. It was a busy, high impact and high volume weekend. He commended Susan Reynolds, Katharine Arrow, Uday Prasad and all the other agencies such as the Police Department. They immediately made an emergency response and changed the traffic flow. We've avoided a lot of confusion and avoided a lot of congestion through that process. He commended them for reacting so quickly.

Ms. Moyer echoed Commissioner Fong's sentiments to staff, in particular Real Estate, Engineering and Maintenance to solve the problem and persuade our sister agency that actually controls the streets to accept our solution. It was definitely necessary. She thanked Commissioner Fong for his support and for helping staff work through that solution. Despite the incredible rains on Christmas day and thereabouts, there were still a lot of people who came to the waterfront to enjoy it. This past weekend, the weather was beautiful and it's family appreciation day and tons of people came to the waterfront.

With respect to agenda setting, we had a fairly light calendar today because some of the items were moved to the next meeting. This is only her second January meeting with the Commission. That was our experience last year as well. What contributes to that is the shortness of time between when the agenda needs to be posted and the holidays. She recommended that when we set the calendar for 2008 that we make the meeting in January a little later in the month. As you can see, there is a huge impact to the February meeting. Nonetheless, there is a lot of information listed for the February 13 meeting. Our primary piece of business on February 13 relates to the informational presentations on our operating and capital budgets and our work on the ten-year capital plan. All of that needs to come through to the Commission by the end of February for submittal to the Mayor's office. She suspects that some of the items listed for February 13, will have to be delayed to accommodate our need to get the budget work done by the end of the month. We'll try to manage the calendar as well as we can for February 13 and 27, 2007. Some of the approval items will be ready. We will be able to bring those forward. We will have our budget presentation which we hope everybody will come and pay attention to. Our work through February is to get those three documents approved by the Commission and submit them to the Mayor's office. We anticipate that the budget will be heard by the Board of Supervisors in May, although it's not been set. She asked if the Commission would like to add anything to the list.

10. PUBLIC COMMENT

Jennifer Clary indicated that since Items 7D and 7E were removed from the agenda, she would like to comment on the report for the Piers 27-31. She thanked staff for removing this item from the agenda because even with all the information in the staff report, a lot of the concerns of San Francisco Tomorrow have still not been met. There is a public benefit that still is very poorly defined. She would be very concerned if the Commission were to approve a development memorandum based on that project description. Moreover, what she still does not have an understanding of is what the fiscal impact to the Port as a whole and particularly to the Port's maritime needs this financial package will have. She knows that she's ignorant about finances and it could be that she just don't understand but if someone could explain to her how this subsidy is going to impact our ability to pay for our capital needs on the rest of the Port. She would appreciate being a part of any future package.

Jeffrey Leibovitz indicated that perusing the Board's upcoming Budget and Finance committee agenda this Thursday, he noticed that the Port is seeking release of reserved funds for a couple of items. That in and out of itself, he's totally supportive of. He thinks that a consultant is necessary and that the whole process move forward for the Pier 30/32 cruise terminal. What troubles him is the language that he is beginning to see in the document, the memo that was forwarded to the Board of Supervisors' Budget Analyst. The merging of the funds coming out of the Watermark Condominium and the Brannan Street Wharf, the money

committed to build the Brannan Street Wharf now seem seamless. They seem to be one number. It troubles him to such an extent that he is going to bring this matter in front of BCDC and State Lands Commission if the funding doesn't get separated or if we do not have a distinct line item talking about the funding for the Brannan Street Wharf and the excess revenues and profits generated from the Watermark. There was a deal made, a commitment made by the Port, by the developer to develop the Brannan Street Wharf irrespective of what happens on Piers 30-32. The people that are living at the Watermark are hopping mad. They are looking down on a parking lot that was supposed to be landscaped over a year ago and because of the processes at the Port, they are still looking at an unlandscape parking lot. There have been permitting issues, survey issues, and other kinds of issues. They're endless issues; nonetheless, nothing is getting resolved. He keeps hearing, "give it another month or two months and it will happen." Nothing has happened to date. If this is what we are going to experience with the Brannan Street Wharf, then we are off in a bad start this year. The Brannan Street Wharf should come out of this process regardless how long it takes to develop the cruise terminal. Last reported to them by John Doll at their Rincon Point South Beach CAC, the Port has some $16+ million in the account. It's been stated that the cost analysis to do the Brannan Street Wharf is $20 million. He suggested that we take a portion of the excess profits out of the Watermark and augment the $16+ million that currently exists in that segregated, dedicated account and complete the project. We complete the project to benefit the people of San Francisco, benefit the people of South Beach that support the cruise terminal. The change of use on the seawall lot and that the merging of the numbers and the leveraging of the approximately $35 million troubles him greatly.

Commissioner Brandon indicated that Jennifer Clary made some good points about how this project is going to affect the rest of the waterfront. Ms. Moyer concurred that those were good comments as well. Staff will try to clarify that at the next iteration. The staff report was about 25 pages. Obviously, not everything got in there that everybody will want to hear. We will try to incorporate it as well and any others that come up in the intervening time.

11. COMMUNICATIONS

12. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 4:35 p.m.

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Rodney Fong, Commissioner
Michael Hardeman, Commissioner

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PLEASE NOTE THE TIME OF THE MEETING

DOCUMENTS DEPT.

FEB - 9 2007

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AGENDA
REGULAR MEETING
TUESDAY, FEBRUARY 13, 2007
2:00 P.M. EXECUTIVE SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

1. **CALL TO ORDER / ROLL CALL**

2. **ANNOUNCEMENT OF PROHIBITION OF SOUND PRODUCING DEVICES DURING THE MEETING**

3. **APPROVAL OF MINUTES** - January 9, 2007

4. **PUBLIC COMMENT ON EXECUTIVE SESSION**

5. **EXECUTIVE SESSION**

 A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

 (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS.

a. Discuss existing litigation matters pursuant to Sections (a) and & (d) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d) (2 cases):

- The People of the State of New York v. American International Group, Inc., et al., (index No. 401720/2005); In re Insurance Brokerage Antitrust Litigation (MDL No. 1663), In re Insurance Brokerage Antitrust Litigation (U.S. District Court, New Jersey, Civ No. 04-5184 (FSH)) and In re Employee Benefit Insurance Brokerage Antitrust Litigation (U.S. District Court, New Jersey, Civ No. 05-1079 (FSH)

 Consideration and approval of settlement of existing litigation alleging, among other things, fraudulent insurance practices in the form of "bid-rigging" and improper use of contingent commissions in the insurance brokerage market for excess casualty and workers compensation insurance. Proposed settlement of litigation upon terms which include defendant insurer AIG's implementation of specified business reforms and payment of $17,710.42 to Port based upon $174,750 in premiums, with a contingency for residual rata payments, in exchange for the Port's dismissal of all claims related to the litigation. Details of the settlement terms are available on the internet at: http://home.aig.com/creative/excesscasualty/

- In re: Mirant Corporation, et al. (debtors) (U.S. Bankruptcy Court for the Northern District of Texas, Forth Worth Division, Chapter 11 Case, Case No. 03-46590 (DML) 11)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Pier 70
Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime
*BAE Systems: Ira Maybaum

Under Negotiation: _____ Price _____Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 70.

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

Under Negotiation: _____ Price _____Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

6. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

7. EXECUTIVE

A. Executive Director's Report

- Report on first meeting of the Cruise Terminal Advisory Panel, January 25, 2007
- Report on first meeting of the Seawall Lot 337 Committee, January 31, 2007
- 4th Annual Crab Festival – February 2, 2007 at the Argonaut Hotel
- Visit by Queen Mary 2 – February 4 & 5, 2007
- Status of Herring Season – January 2 to March 15, 2007
- Update of Rincon Park Restaurant Project
- Completion of work at Fishermen's and Seamen's Memorial Chapel
- Commendation for Architectural Associate Belarmino (Bernie) Andia, Engineering
- Commendation for Jill Simpson-Rodby, Maritime

8. CONSENT

A. Request approval of resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with San Francisco Public Utilities Commission (SFPUC) regarding implementation and funding of Port Energy Efficiency Projects. (Resolution No. 07-07)

B. Request approval of Special Event Fee Reduction for the Small Boat Commercial Salmon Fishermen's Association's annual Commercial Fishing Swap Meet and Gear Sale on March 3, 2007 at Pier 45, Shed A. (Resolution No. 07-08)

C. Request approval of Special Event Fee Reduction for the Classic Car Show at Pier 45, Shed A, from February 15 to February 19, 2007. (Resolution No. 07-09)

9. FINANCE & ADMINISTRATION

A. Informational Presentation on the Port's Operating Budget for Fiscal Year 2007-08.

B. Informational Presentation on the Port's Proposed $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08.

C. Informational Presentation on the Port's Annual Update of the Ten-Year Capital Plan.

10. ENGINEERING

A. Informational Presentation on the Port's Condemned Piers, Wharves and Aprons Identified for Demolition.

11. MARITIME

A. Request approval of First Amendment to Non-Exclusive Management Agreement No. 13652 between the Port and Metro Cruise Services LLC for the management of the passenger cruise terminal at Pier 35 and other Port facilities designated for cruise ship operations. (Resolution No. 07-10)

12. NEW BUSINESS / AGENDA SETTING

- New Business

- Agenda Setting (Targeted Commission meeting, subject to change)

 - Request approval to extend the Term of the Amended and Restated Exclusive Negotiation Agreement ("Amended ENA") with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project; Request approval to execute Fourth Amendment to the Amended ENA extending the Term (Site Location: The Embarcadero between Francisco and Battery Streets) (February 27, 2007)
 - Request approval of the Port's Annual Operating Budget for Fiscal Year 2007-08 (February 27, 2007)
 - Request approval of the Port's Capital Budget for Fiscal Year 2007-08 (February 27, 2007)
 - Request approval of the Port's Annual Update of the Ten-Year Capital Plan (February 27, 2007)
 - Request approval of Lease No. L-14261 for 2902 square feet of office space with California Foundation on the Environment and the Economy (CFEE) at the southwest end of Pier 35 (February 27, 2007)
 - Request approval of Lease with the San Francisco Bar Pilots for space located at Pier 9 (February 27, 2007)
 - Request approval of a new fifteen-year, Non-Exclusive Management Agreement with Pasha Automotive Services for management of an automobile terminal at Pier 80 (February 27, 2007)
 - Request approval of the First Amendment to the Non-Exclusive Management Agreement No. 13893 between the Port and Marine Terminals Corporation for management of the cargo terminal at Pier 80 (February 27, 2007)
 - Informational presentation regarding casual landing/excursion berthing rates at the Port of San Francisco (February 27, 2007)
 - Informational presentation and request for approval of Amended Exclusive Negotiation Agreement (ENA) with High Flying Foods/Firewood Cafe lease at 360 Jefferson Street (February 27, 2007)
 - Informational presentation regarding Stormwater Design Guidelines for the Port of San Francisco (February 27, 2007)

- Informational presentation regarding tenant improvement credits and tenant allowances (February 27, 2007)
- Informational presentation regarding Wharf J-10 Demolition Project Status Report (February 27, 2007)
- Informational presentation regarding As-Needed Contracts, Second Quarterly Report Fiscal Year 2006-07 (February 27, 2007)
- Informational presentation regarding Real Estate Broker Fees Policy at the Port of San Francisco (February 27, 2007)
- Informational presentation on Building Occupancy Resumption Program of the Port of San Francisco (March 13, 2007)
- Informational presentation regarding the Facility Assessment Program and Findings (March 13, 2007)
- Request authorization to award Construction Contract No. 2713, Pier 52/54 Public Boat Launch Project (March 13, 2007)
- Request approval of resolution authorizing implementation of the Airspace portion of the Sidewalk, Airspace, and Curbspace Encroachment Policy to April 1, 2007, to include possible approved adjustments to the Policy (March 13, 2007)
- Request approval of resolution authorizing the Executive Director to execute a Memorandum of Understanding with the San Francisco Entertainment Commission to transfer responsibility for the issuance and administration of Entertainment Related Permits from the Port to the Entertainment Commission (March 13, 2007)
- Informational presentation regarding the City's Emergency Text Message Alerting System (March 27, 2007)
- Informational presentation on findings of Port Meter Pilot Program (March 27, 2007)
- Request approval of Lease No. L-14268 between the Port and High Flying Foods, LLC for Port property located at 360 Jefferson Street (Date to be determined)
- Informational presentation on CEQA Findings concerning the Trans Bay Cable LLC for use of 9.4 miles of bay floor from the San Francisco County line in the bay to the San Francisco shore located at 23rd Street for a direct current transmission line (Date to be determined)
- Request approval of CEQA Findings and License Agreement with Trans Bay Cable LLC for use of 9.4 miles of Bay Floor for a direct current transmission line (Date to be determined)
- Request Endorsement of Amended and Restated Development Memorandum with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets) (Date to be determined)
- Request approval of First Amendment to Berthing Agreement with California Sealift Terminals, Inc. (Date to be determined)
- Request authorization to increase ferry rates at the Port of San Francisco (Date to be determined)
- Request authorization to Advertise for Competitive Bids for the Pier 35 Façade Improvements Project, Contract No. 2712 (Date to be determined)
- Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (Date to be determined)
- Request approval of Tri-Party Agreement with Port, the Exploratorium and Baydelta Maritime for lease of space at Pier 17 (Date to be determined)

13. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

14. COMMUNICATIONS

Communications to the Port Commission received from January 5, 2006 to February 8, 2007:

- From Robert Frank, regarding conditions of Pier 36
- From Sunset Scavenger Company and Golden Gate Disposal & Recycling Company, invitation to the Annual Cioppino Dinner on Thursday, January 18, 2007
- From Jon Golinger, Citizens to Save the Waterfront, copy of an article entitled, "Mall Owner Mills agrees to be sold for $1.3 Billion"
- From San Francisco Maritime National Park Association, invitation to the Festival of Sail – San Francisco on February 13, 2007 at 6 p.m.
- From Assemblywoman Fiona Ma, copy of a letter to Bruce Wolfe, Regional Water Quality Control Board, regarding sewage overflow on ferry vessels
- From Bob Armstrong, Artists Guild of San Francisco, regarding use of Harry Bridges Plaza
- From Assemblywoman Fiona Ma, copy of a letter to Maureen F. Gorsen, Department of Toxic Substance Control, regarding sewage overflow on ferry vessels
- From Marina Secchitano, regarding Port of San Francisco's Maritime Commerce Advisory Committee's support of the Transbay Transit Center Program
- From Port staff, copy of the Contra Costa Times article entitled, "Residents float idea for a cruise terminal at Alameda Point"
- From Port staff, copy of the Wall Street Journal article entitled, "The Parking Fix"
- From Port staff, copy of the San Francisco Business Times article entitled, "Peskin looks to put hotels on San Francisco waterfront"
- From Port staff, copy of the San Francisco Chronicle Letter to the Editor regarding the Queen Mary 2

15. ADJOURNMENT

FEBRUARY /MARCH 2007
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
February 27	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
February 28	4:00 p.m.	Seawall Lot 337 Port Commission Committee Planning Process	Pier 1, Bayside Conference Room
March 13	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
March 27	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Advisory Panel generally meets the second Thursday of the month. The next meeting is scheduled on March 8, 2007 at 9 a.m. in the Bayside Conference Room at Pier 1. Contact John Doll at 274-0639.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jennifer Sobol @ 274-0548.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

Pier 1:

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with San Francisco Public Utilities Commission (SFPUC) regarding implementation and funding of Port Energy Efficiency Projects

DIRECTOR'S RECOMMENDATION: APPROVE THE RESOLUTION

Overview

This a resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with San Francisco Public Utilities Commission (SFPUC), in substantially the form of the proposed MOU on file with the Port Commission Secretary, to provide for:

1. the design and construction of energy efficiency projects by the SFPUC at the Port's premises, including roles and responsibilities of each agency; and

2. Port repayment of SFPUC funds advanced to pay for the costs of such design and construction, according to a schedule provided in the proposed MOU.

The proposed MOU is the product of ongoing cooperation between the Port and the SFPUC since 2005. As described to the Port Commission on May 23, 2006, the SFPUC initiated its Clean Energy, Clean Air Program on June 22, 2004 by resolution #04-0107. The SFPUC program includes creating partnerships with targeted City departments, establishing energy efficiency goals, developing plans for achieving those goals, and assembling the resources to implement the plan.

On December 12, 2006, Port and SFPUC staff made an informational presentation to the Port Commission describing the results of the SFPUC's "Port of San Francisco Investment Grade Energy Audit" ("Energy Audit Report"). The Energy Audit Report details findings and energy-efficiency project recommendations for those Port facilities for which the Port pays electricity bills.

This Print Covers Calendar Item No. 8A

Background

The proposed MOU would govern the implementation of a "Clean Energy Clean Air Phase 1 Energy Efficiency Project", as developed by SFPUC and refined by Port staff. This Phase 1 Project would make energy efficiency improvements in nineteen Port facilities where the Port pays utility bills. Based on the SFPUC Energy Audit Report, engineering estimates indicate that the project will:

- reduce the Port's utility costs by 26% (approximately $346,000 per year);
- have design and construction costs estimated at $1,088,000;
- provide a simple payback of 3.1 years and a return-on-investment (ROI) of 32%;
- avoid 1,040 tons of CO_2 emissions per year, equivalent to taking 204 cars off the road per year, or to the carbon-sequestering effect of 786 acres of forest.

According to the SFPUC's Energy Audit Report, this energy efficiency retrofit project "present[s] the Port with a unique opportunity to upgrade aging facilities and increase overall energy efficiency, while creating enough cost savings to finance the project. The upgrades will improve lighting quality, simplify lighting maintenance, and modernize operation of Port-owned heating and cooling systems. Most importantly, these renovations will create environmental benefits for the wider community, including reduced air pollution emissions by power plants and important reductions in greenhouse gas emissions."[1]

The SFPUC has proposed to finance these facility improvements under the terms described in the proposed MOU. SFPUC also has proposed to provide project implementation services. Port staff will monitor, review and approve project implementation. Port Engineering and Maintenance staff has reviewed and support the proposed project, and will have review and approval responsibilities throughout project implementation.

Project Highlights

The SFPUC's Energy Audit Report identifies lighting, heating, ventilating, and air conditioning (HVAC) efficiency and refrigeration improvement measures, with the potential to achieve 2,250,000 kWh/yr in electricity savings, and 29,800 therms/yr in natural gas savings. Table 2 below provides an overview of costs and savings for the nineteen Port facilities in the project scope.

According to the Energy Audit Report, "Port's lighting systems provide the greatest opportunities to save energy. The primary savings opportunities include replacing the remaining 1980's-era fluorescent T12 lamps with modern T8 fluorescent lamps and electronic ballasts; upgrading first-generation T8 fluorescent lamps and electronic ballasts (late 1990's technology) to high Kelvin T8 lamps and electronic ballasts; and replacing metal halide lighting [common in the Sheds] with fluorescent lighting and new lighting controls." The lighting measures provide a simple payback of 2.3 years.

[1] SFPUC, "Port of San Francisco Investment Grade Energy Audit", p.1.

In the area of HVAC and refrigeration, recommended measures include upgrading the energy management system at Roundhouse 2 and retrocommissioning the HVAC system at Pier 1. The Port can reduce the energy costs it pays for the icemaker at Pier 45, and save energy through programmable thermostats and electronic interval timers to control smaller "package HVAC units" located throughout the Port. Pier 50 Administrative Building provides an opportunity to incorporate a long-needed upgrade to the heating system under the larger energy efficiency project. Altogether, HVAC and refrigeration system improvements can save the Port $67,800 per year, with an overall simple payback of 5.7 years.

The specific projects proposed for funding have been vetted by the Port's Capital Planning Group. On November 30, 2006, Port staff from every division met with SFPUC staff and the audit team that prepared the SFPUC Energy Audit Report to review proposed projects in view of the Port's own Capital Plan and with respect to the Port's real estate and development plans. Projects will be subject to further review and approval by Port staff prior to expenditure of funds.

The project cost breakdown is described in Table 1 below:

Table 1: Project Cost Breakdown

Budget Component	Cost
Construction	$841,197
Design	$59,548
Construction Management	$61,968
Contingency	$77,376
Project Management Fees	$48,000
TOTAL PROJECT COST	$1,088,090
Construction Bid Risk Factor	9%
TOTAL LOAN AMOUNT	$1,163,797

Table 2 below describes projected costs and savings by facility:

Table 2: Costs and Savings by Facility

Building	Cost Savings ($/yr)	Project Cost ($)	Simple Payback (years)	Return on Investment
Fisherman's Wharf Harbor	$1,303	$2,732	2.1	48%
Pier 45 East	$20,866	$55,193	2.6	38%
Pier 45 West	$11,138	$21,680	1.9	51%
Pier 35	$912	$5,030	5.5	18%
Pier 33	$12,764	$17,596	1.4	73%
Piers 27-31	$2,664	$2,079	0.8	128%
Roundhouse 2	$19,888	$82,890	4.2	24%
Pier 15	$80	$56	0.7	145%
Pier 9	$10,031	$24,367	2.4	41%
Pier 1	$18,453	$89,620	4.9	21%
Agricultural Building	$12,934	$81,250	6.3	16%

Building	Cost Savings ($/yr)	Project Cost ($)	Simple Payback (years)	Return on Investment
Pier 26	$28,386	$64,276	2.3	44%
Pier 28	$31,326	$42,871	1.4	73%
Pier 48	$0	$0	N/A	N/A
Pier 50	$115,477	$180,888	1.6	64%
Pier 50 Administration Building	$8,536	$102,606	12.0	8%
Pier 70 Noonan Building	$14,028	$39,699	2.8	35%
Pier 80	$27,875	$181,077	6.5	15%
Pier 96	$9,952	$46,184	4.6	22%
TOTAL	**$346,615**	**$1,040,090**	**3.0**	**33%**
PROJECT MANAGEMENT FEES		**$48,000**		
TOTAL PROJECT COST		**$1,088,090**	**3.1**	**32%**
Note: Loan Amount includes 9% construction bid risk factor for a total of $1,163,797				

Funding

A principal feature of the proposal by SFPUC that is attractive to Port staff is the opportunity to implement this project without substantial out-of-pocket costs. In addition to SFPUC advancing the project costs, the terms of loan repayment are such that energy savings should be greater than loan payments. Thus the Port would experience positive cash-flow for all years. Table 3 below describes project cash flow:

Table 3: Project Cash Flow

Year	Energy Savings ($)*	Loan Payment ($)**	Net Cash Flow
FY 08-09†	$346,615	0	$346,615
FY 09-10	$346,615	$316,845	$29,769
FY 10-11	$346,615	$316,845	$29,769
FY 11-12	$346,615	$316,845	$29,769
FY 12-13	$346,615	$316,845	$29,769
2012 and subsequent years	$346,615	$0	$346,615
† Less FY savings if substantial completion of project delayed past Summer '08.			
*Assumes energy costs escalate at 0% per year in nominal dollars.			
** Based on a loan amount of $1,163,797. Assumes a 3.5 % interest rate			

Schedule

Project design would commence following execution of the MOU. SFPUC's current schedule includes Bid and Award for construction in Summer 2007, with substantial completion of construction by Summer 2008.

Proposed MOU Terms

Table 4: Proposed MOU Terms

Term	Description
Loan Amount	SFPUC shall advance and expend certain funds for design and construction of Energy Efficiency Measures, estimated to be $1,163,797, with the final amount to be decided at project closeout
Interest Rate	Port commits to repay costs at a fixed interest rate of 3.5%, with annual payments estimated to be $316,845
Term	4 year repayment term with the first payment due September 1, 2009
Project Management	SFPUC to provide project management and procurement of engineering and construction services
Port Approval	Port staff review and approve third party contracts and change-orders for design and construction
Unexpected Site Conditions	Port staff to make final determination of inclusion of specific energy retrofits if unexpected site conditions or costs are encountered
Owner	Port is sole owner of energy efficiency measures after formal acceptance by the City of contractor's work
Access	Port provides SFPUC team with access to facilities, and makes necessary Port staff available to cooperate with implementation efforts
Fees	SFPUC Project Management Fee of $48,000, to be included in and repaid as part of total project costs
Prepayment	Port may prepay all or part of the project costs and avoid interest payments, as per the repayment schedule in the MOU

Recommendation

Port staff recommends approval of the proposed MOU. If approved by the Port Commission, the Executive Director would execute the MOU in a form substantially similar to the proposed MOU on file with the Port Commission Secretary and execute the associated Funding Commitment Letter with SFPUC and the Mayor's Office. Project design by engineers under contract to SFPUC could begin immediately.

Clean Energy Clean Air Working Group Next Steps

The Port-SFPUC Clean Energy Clean Air Working Group will be finalizing its wider policy document. The Draft Port Clean Energy Clean Air Plan will address energy efficiency for Port tenants, renewable energy, new developments at the Port, and electrical infrastructure documentation efforts. Port staff expects to present this document for the Port Commission's consideration later this spring.

Prepared By: Terry O'Sullivan
SFPUC Power Enterprise

Brad Benson
Port Special Projects Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-07

WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, Mayor's Executive Directive 05-104 on Energy Conservation sets a goal that a 10 percent reduction in municipal energy use be achieved through efficiency and conservation measures before 2012; and

WHEREAS, in Resolution No. 02-0104, the San Francisco Public Utilities Commission (SFPUC) established a policy that the SFPUC General Manager and the Assistant General Manager of Power Policy, Planning & Resource Development will (1) establish criteria for evaluating energy-related projects and department plans to reimburse the Mayor's Energy Conservation Account (MECA) and (2) approve memorandums of understanding with City departments, which specifically delineate projects' scopes and MECA repayment schedules; and

WHEREAS, Port and San Francisco Public Utilities Commission (SFPUC) staff have been working together as the Port/SFPUC Clean Energy, Clean Air Working Group, since early 2005, to develop a coordinated plan for energy conservation and renewable energy policies related to Port property; and

WHEREAS, the SFPUC's "Port of San Francisco Investment Grade Energy Audit" ("Energy Audit Report") identifies lighting, heating, ventilating, and air conditioning (HVAC) efficiency and refrigeration improvement measures, with the potential to achieve 2,250,000 kWh/yr in electricity savings, and 29,800 therms/yr in natural gas savings; and

WHEREAS, the Port wishes to enter into a Memorandum of Understanding (MOU) with the SFPUC to implement the recommendations of the Energy Audit Report, which include design, construction and installation of Energy Efficiency Measures detailed in the Energy Audit;

WHEREAS, contingent upon the Port's commitment to repay, with interest, such advances over a four year period in accordance with the MOU, the SFPUC is amenable to advancing certain costs for proceeding with the design and construction of the Energy Efficiency Measures at Port Premises, as set forth in more detail in the MOU;

WHEREAS, the purposes of the MOU are to provide for 1) the design and construction of energy efficiency projects by the SFPUC at the Port's Premises as part of the Port Clean Energy Clean Air Program and 2) Port repayment of SFPUC funds advanced to pay for the costs of such design and construction; now, therefore, be it

RESOLVED, that the San Francisco Port Commission authorizes the Executive Director, or her designee, to enter into a Memorandum of Understanding (MOU) by and between the Port of San Francisco and the San Francisco Public Utilities Commission to effectuate these purposes, in substantially the form of the proposed MOU on file with the Port Commission Secretary; and, be it further

RESOLVED, subject to future budgetary approvals by the Port Commission, Mayor, and Board of Supervisors, that the Port Commission agrees in concept to annually budget and appropriate the annual repayment amounts and repay SFPUC for its costs for energy retrofit design and construction of the Energy Efficiency Measures, according to the final Loan Amount and repayment schedule, as defined in the MOU.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 13, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 8, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Michael Hardeman
Hon. Rodney Fong

FROM: Monique Moyer
Executive Director

SUBJECT: Request for Special Event Fee Reduction for the Small Boat Commercial Salmon Fishermen's Association's annual Commercial Fishing Swap Meet & Gear Sale, March 3, 2007 at Pier 45, Shed A

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION

Overview
The Small Boat Commercial Salmon Fishermen's Association's ("SBCSFA") annual Commercial Fishing Swap Meet & Gear Sale gathers California commercial fishermen together with representatives from the U.S. Coast Guard, California Department of Fish & Game, California Salmon Council, Institute for Fisheries Resources and a growing number of environmental groups, as well as retailers and service providers who sustain the commercial fishing fleet.

The SBCSFA is a coast-wide California non-profit organization which functions independently from any individual port or marketing association. SBCSFA is a full voting member of the Pacific Coast Federation of Fishermen's Associations ("PCFFA"), which supports sustainable fisheries. Their annual Swap Meet generates monies that enable them to contribute to PCFFA activities.

The proposed, one-day event will be held on March 3, 2007, from 6:00 a.m. to 4:00 p.m. at Pier 45, Shed A. This includes the set-up time, the annual Association membership meeting, a two-hour members-only Swap Meet & Sale, and a two hour opening to the general public with a $5.00 admission fee. The break-down and clean-up will occur from 2:00 to 4:00 p.m., at which time the shed is returned to the Fisherman's Wharf Restaurant Association for overflow parking services for the Triangle Parking Lot operator.

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Attendance has varied for this event from two to five hundred persons, with no adverse impacts on the surrounding neighborhood or Pier 45, Shed A.

The Special Events Fee Schedule adopted by the Port Commission on May 23, 2006 provides for fees for special events of $2,000 per day, which may be pro-rated for partial portions of a pier. In this case it is a portion of a day by a non-profit agency that represents the mission of the Port and supports the local fishing community. They are requesting the same fee arrangement they had last year: a special event fee of $300.00 plus an additional electric service charge of $25.00 to defray the Port's costs in accommodating this event. They will also set up, maintain, and remove their materials and gear at no cost to the Port.

The Triangle Parking Lot operator helped Port staff evaluate the impact the requested fee reduction has on the Port's loss of revenue for extra parking space. Generally, the parking lot does not open until 10:30-11:00 a.m. on weekends, and the Port commonly nets about $750.00 a day on winter weekends, or about $200.00 during the time the parking lot operator would use the shed if the swap meet was not there. Historically, the swap meet organizers have been very helpful in allowing overflow parking to move into the shed while they moved out, so the suggested fee replaces the loss of parking revenue earned during that transition period.

Recommendation
Approve the attached resolution for a special event fee of $300.00 and allow the Port Director or her designee to enter in to a license agreement with the Small Boat Commercial Salmon Fishermen's Association.

Prepared by: Claudia Davison,
Commercial Property Manager

For: Susan Reynolds,
Deputy Director, Real Estate Division

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-08

WHEREAS, the Small Boat Commercial Salmon Fishermen's Association proposes to rent Pier 45, Shed A from 6:00 a.m. to 4:00 p.m. on March 3, 2007; and

WHEREAS, the mission of the Small Boat Commercial Salmon Fishermen's Association is to support sustainable fisheries in California; and

WHEREAS, the Small Boat Commercial Salmon Fishermen's Association's annual Swap Meet & Gear Sale generates revenues which support the non-profit organization and the goals of the Pacific Coast Federation of Fishermen's Associations; and

WHEREAS, Pier 45, Shed A is an appropriate site with proximity to such fishermen; and

WHEREAS, the proposed fee replaces lost revenue that could be made for overflow parking operations during the same time period; and

WHEREAS, the goals of the organizers support the Port's mission; now therefore be it

RESOLVED, that this Commission hereby authorizes the Executive Director of the Port, or her designee, to enter in to a license with the Small Boat Commercial Salmon Fishermen's Association to allow a fee of $300.00 for March 3, 2007 from 6:00 a.m. to 4:00 p.m.; and be it further

RESOLVED, that the license requires the Small Boat Commercial Salmon Fishermen's Association to pay an additional electrical charge of $25.00 and install, maintain and remove the Association's materials and gear, at no cost to the Port, by 4:00 p.m., March 3, 2007 and also comply with other provisions of the license.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 13, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 8, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request for Special Event Fee Reduction for the Classic Car Show at Pier 45, Shed A, from February 15, 2007 to February 19, 2007.

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION

Overview

The Classic Car Show was initiated at Fisherman's Wharf following the economic downturn after September 11, 2001. Tourism plummeted, and the Fisherman's Wharf Merchant's Association welcomed this event to bring visitors to the Wharf, particularly during the slower winter months. It is organized by the San Francisco Bay Area Chapter, Model A Ford Club of America, a non-profit organization ("Organizers").

The Classic Car Show starts with a parade of hundreds of collector automobiles through the City and ends with many of them on display at Pier 45, for an up-close and personal experience with the vehicles and their enthusiasts. The show is open to the public for an admission charge of $5.00. They hope to have about 500 guests. The gate receipts benefit the Special Olympics athletes and other local non-profit charities. The event is advertised City-wide, to include posters in San Francisco's historic streetcars. The Organizers have applied for a police escort permit.

The Organizers will set up in Pier 45, Shed A on Thursday, February 15, 2007. The parade begins at noon in front of City Hall and ends at Pier 45. Vintage vehicles will be on display in the shed on Friday, Saturday, and Sunday. The Organizers provide around-the-clock security throughout the car show. The Organizers will clean and vacate the shed by 11:00 a.m. on Monday, February 19, 2007, at which time the shed will be returned to the Fisherman's Wharf Restaurant Association for parking overflow from the Triangle Parking Lot.

The Special Events Fee Schedule adopted by the Port Commission on May 23, 2006 provides for fees of $2,000.00 per day. The Organizers request a fee of $1,500.00 for the whole event period.

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Last year they paid a total fee of $1,000.00 for a similar four-day event. This attraction benefits the Fisherman's Wharf community and the local non-profit charities supported by the Organizers.

The request for a fee reduction needs to be compared with the Port's loss of parking revenue generated by the Triangle Parking Lot operator. Comparative four-day periods for the months surrounding last year's Classic Car Show, January, March and April 2006 generated net proceeds to the Port of approximately $2,804, $2,370, and $2,643, respectively. The Organizers suggest that the difference between approximately $2,600 in net revenue loss and a fee of $1,500.00 may be recovered from the special events they have arranged at other Port venues: A cocktail party at Castagnola's on Thursday night, a banquet for 100 at the Franciscan, and events at Bistro Boudin on Saturday and Sunday.

Port Staff has also informed the Organizers that a provision has been added to the License that the Organizers will pay an additional electrical service charge of $150.00 to defray the Port's overhead in accommodating this event. The Organizers will also set up, maintain, and remove their materials and gear at no cost to the Port.

Recommendation
Port staff recommends that the Port Commission approve the attached resolution for a one-time special event fee of $1,500.00 and allow the Port Director, or her designee, to enter into a license agreement with the San Francisco Bay Area Chapter, Model A Ford Club of America.

Prepared by: Claudia Davison,
Commercial Property Manager

For: Susan Reynolds,
Deputy Director, Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-09

WHEREAS, the San Francisco Bay Area Chapter of the Model A Ford Club of America is proposing to rent Pier 45, Shed A from 8:00 a.m. February 15, 2007 to 11:00 a.m. February 19, 2007 for a Classic Car Show; and

WHEREAS, the proceeds of the San Francisco Bay Area Chapter of the Model A Ford Club Classic Car Show support Special Olympics athletes and other local non-profit charities; and

WHEREAS, the Classic Car Show fee, utility reimbursement, and local special events represent equivalent income to the Port in exchange for its loss of parking revenue; and

WHEREAS, Pier 45, Shed A is an appropriate site with proximity to other Wharf facilities and attractions; and

WHEREAS, the Model A Ford Club of America Classic Car Show is an activity that brings visitors to Fisherman's Wharf and generates interest and visitors to the area businesses during a slow part of the year; now therefore, be it

RESOLVED, that this Commission hereby authorizes the Executive Director of the Port, or her designee, to enter into a license with the San Francisco Chapter of the Model A Ford Club of America to lease Pier 45, Shed A from 8:00 a.m. February 15, 2007 through 11:00 a.m. February 19, 2007 at a fee of $1,500.00; and be it further

RESOLVED that the license requires the San Francisco Bay Area Chapter of the Model A Ford Club to pay an additional electrical service charge of $150.00 and install, maintain and remove the Organizer's materials and gear, at no cost to the Port, by 11:00 a.m. on Monday, February 19, 2007 and also comply with other provisions of the License.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 13, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 8, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Fiscal Year 2007-08 Operating Budget

DIRECTOR'S RECOMMENDATION: INFORMATION ITEM

The purpose of this item is to provide an overview of the Port's proposed Fiscal Year 2007-08 operating budget to allow Port Commission and public feedback. The Port Commission is scheduled to approve the Port's FY 2007-08 budget at its February 27, 2007 meeting. Following Port Commission approval, the budget will then be reviewed by the Mayor's Office, which will submit the budget to the Board of Supervisors by the first of May 2007. The Board will give final consideration to the budget on or about July 31, 2007. The proposed Fiscal Year 2007-08 Overall Budget is summarized as follows:

	Budget 06/07	Budget 07/08	Increase / (Decrease) Amount	Percent
Sources				
Estimated Fund Balance	$15,170,147	$14,326,174	($843,973)	-5.6%
Revenue	57,927,550	61,197,550	3,270,000	5.6%
Total Sources	$73,097,697	$75,523,724	$2,426,027	3.3%
Uses				
Operating Expense	$56,496,116	$59,764,802	$3,268,686	5.8%
Capital Appropriations	9,353,500	7,742,800	(1,610,700)	-17.2%
Operating Reserve	7,248,081	8,016,122	768,041	10.6%
Total Uses	$73,097,697	$75,523,724	$2,426,027	3.3%
Operating Reserve as a Percent of Operating Expense	13%	13%		

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The table above identifies all of the Port's revenue sources including use of fund balance that the Port uses to fund capital projects and the budgeted operating reserve. We propose using surplus operating revenues to help fund the Port's FY 2007-08 capital budget. As such, the above table includes both operating and capital budgets providing a clearer picture of the Port's expenditure budget.

With respect to the operating budget, we project operating revenues to increase by $3,270,000 or 5.6% from FY 2006-07 and operating expenses to increase by $3,268,686 or 5.8%. Additionally, we propose to increase the Port's operating reserve by $768,041 to maintain it at 13% of operating expenses. Credit rating agencies have advised Port staff that it is prudent to budget for an operating reserve of 15% to 25% of operating expenses to cover unexpected extraordinary expenses such as loss of revenues due to an earthquake. While the 13% falls short of the 15% goal, it is still greater than the City's General Fund operating reserve of 2.6%.

Each of the primary increases and substantive changes to the Port's FY 2007-08 budget is described in more detail below.

Revenue

The proposed revenue budget of $61,197,550 for FY 2007-08 reflects a $3,270,000 increase or 5.6% greater than the FY 2006-07 budget. Projected revenues for FY 2007-08 are as follows:

	Budget 06/07	Budget 07/08	Increase/(Decrease) Amount	Percent
Cargo	$4,340,000	$4,345,000	$5,000	0.1%
Ship Repair	895,000	1,000,000	105,000	11.7%
Harbor Services	860,000	995,000	135,000	15.7%
Cruise	1,825,000	1,550,000	(275,000)	-15.1%
Fishing	1,892,000	1,892,000	0	0%
Other Marine	1,067,000	1,407,000	340,000	31.9%
Commercial/Industrial	34,828,000	36,513,000	1,685,000	4.8%
Parking	8,861,000	9,492,000	631,000	7.1%
Filming	25,000	25,000	0	0%
Special Events	100,000	100,000	0	0%
Miscellaneous Services	101,250	101,250	0	0%
Facility Damage	6,000	6,000	0	0%
Permits	684,000	710,000	26,000	3.8%
Miscellaneous Repairs	30,000	30,000	0	0%
Negotiation Fees	340,000	350,000	10,000	2.9%
Interest on Investments	1,500,000	2,108,000	608,000	40.5%
Penalties & Svc. Charges	19,300	19,300	0	0%
Miscellaneous Receipts	554,000	554,000	0	0%
	$57,927,550	$61,197,550	$ 3,270,000	5.6%

The major changes in the FY 2007-08 revenue budget compared to the prior fiscal year are in Ship Repair, Harbor Services, Cruise, Other Marine, Commercial/Industrial Rent, Parking, and Interest on Investments as a result of the following:

- Ship Repair revenues are projected to increase by 11.7% based on actual percentage rent collected in the current fiscal year.

- Harbor Services revenues are projected to increase by $135,000 or 15.7% based on rent increase from the renegotiated lease with Westar offset by anticipated rent decrease related to substructure repairs at Pier 54.

- Cruise revenues are projected to decrease by $275,000 or 15% based on an anticipated decline in passenger vessel calls and volumes in FY 2007-08 as booked through calendar year 2007 and anticipated for the first part of calendar year 2008.

- Other Marine revenues are projected to increase by $340,000 due to increased lay berth activity experienced in FY 2006-07 as well as the new lease with the Water Transit Authority at Pier 9.

- Commercial/Industrial rent is expected to increase by $1,685,000 or 5% primarily due to new leases with the Department of Elections at Pier 48 and the Public Utilities Commission (PUC) at seawall lot 356 with a combined total value of $1,318,000.

- Parking revenue is projected to increase by $631,000 or 7% primarily due to increased usage of parking lots around the China Basin area.

- Interest on investments is projected to increase by $608,000 or 41% due to increased interest rates.

Expense

The proposed FY 2007-08 expense budget of $59,764,802 is a $3,268,686 increase, or 5.8% over the prior fiscal year. The expense summary for FY 2007-08 is as follows:

	Budget 06/07	Budget 07/08	Increase / (Decrease) Amount	Percent
Salaries & Benefits	$25,270,786	$27,418,973	$2,148,188	8.5%
City-wide Overhead	1,278,241	89,063	(1,189,178)	-93.0%
Other Current Expenses	7,454,202	8,262,789	808,587	10.9%
Materials & Supplies	1,414,162	1,281,908	(132,254)	-9.4 %
Fixed Charges	665,875	670,504	4,629	0.7%
Capital Outlay	313,866	1,087,687	773,821	246.6%
Facilities Maintenance	2,918,983	3,586,018	667,035	22.9%
Debt Service	4,705,170	4,709,845	4.675	0.1%
ADM - Insurance & Risk	1,997,944	1,997,944	0	0.0%
City Attorney - Legal Services	2,318,000	2.433,900	115.900	5.0%
Fire Protection Services	2,296,185	2,525,804	229,619	10.0%
DHR – Workers Compensation	1,103,703	1,158,888	55,185	5.0%
PUC - Light, Heat & Power	1,432,409	1,432,409	0	0.0%
All Other Departments	3,042,828	2,805,904	(236,924)	-7.8%
Interdepartmental Recovery	(104,325)	(104,325)	0	0.0%
Revenue Transfer Out - DPT	388,087	407,491	19,404	5.0%
	$56,496,116	$59,764,802	$3,268,686	5.8%

The major changes in the FY 2007-08 expense budget over the prior fiscal year are in Salaries and Fringe Benefits, City-wide Overhead, Other Current Expenses which includes Professional and Specialized Services, and Facilities Maintenance and Annual Projects, Capital Outlay, and Fire Protection Services. As described below, of the proposed $3,268,686 increase approximately $2 million or 61% will fund one-time costs such as professional services, equipment, facility maintenance and annual projects. The remaining $1.2 million will fund continuing expenses which are primarily salaries and mandatory fringe benefits.

- Salaries and mandatory fringe benefits are projected to increase by a total of $2,148,188 or 8.5% of which $1,286,263 is due to increases to pension and health plan costs. The remaining $861,925 or 4.5% increase in salaries is due to annualization of the 7% increase in salaries granted in the City's MOUs negotiated in FY 2006-07. In addition, as described in more detail below, we are requesting two new positions, transfer one position from the Port's Capital Budget to our Operating Budget and five position upgrades.

- The Port's share of City-wide Overhead is projected to decrease by $1,189,178 or 93%, based on staff's calculation of the Port's portion of Citywide overhead costs from the Controller's County-wide Cost Allocation Plan (COWCAP).

- Other Current Expenses - Professional and Specialized Services have increased overall by $505,734 or 61.3% primarily to fund: (1) $100,000 to develop a scope of work for the tunnel and rail improvements that we anticipate to receive state Proposition 1B funding to construct, and (2) $100,000 to fund engineering services to install shoreside power at Pier 35, (3) $75,000 to review existing cargo terminal designations and recommend changes with current and future business opportunities, and (4) $225,000 for consultant services to assist staff in conducting economic analyses and site planning studies prior to issuing Request for Proposals, reviewing financial proposals and negotiating development agreements for various development projects including the Pier 70, Piers 90-96 Backlands, the Exploratorium, and Piers 27-31 Mixed Use recreation Project.

- Facilities Maintenance and annual project costs are projected to increase by $667,035 primarily due to (1) $500,000 to fund architectural and engineering services to develop project conceptual designs for Port capital projects, including developing construction documents for the Pier 38 apron repairs as required in the Port's lease with the Pier 38 tenant, and (2) $140,435 to complete the Port's Oracle financial systems upgrade project and integration to the City's FAMIS accounting system.

- Capital Outlay is expected to increase by $773,821 or 246.5% to fund (1) replacing 13 of the Port's Maintenance Division trucks that are significantly beyond their 10-year useful lifespan, (2) one new high lift fork-lift to assist with loading materials on roof tops to support roof replacement and repair operations, (3) two new 25 Kw generators to provide back-up power for sewer pump stations, (4) one new sidewalk scrubber, and (5) a new 24-foot survey boat with permanently installed survey equipment, dual motors, and trailer for the Port's Engineering Division to survey the Port's piers and related facilities.

- Fire Protection is estimated to increase by $229,619 or 10% based on estimated MOU wage increases and fringe benefit increases.

Staffing Changes Proposed in the Port's FY 2007-08 Budget

The following two new positions and one transferred position are contained in the Port's proposed FY 2007-08 budget:

(New) 5207 Associate Engineer – annual salary $103,984

This position will assist the Port's Engineering Division's Utilities Section with designs for the electrical systems, interior and exterior lighting, electrical power and telephone distribution, electronic security systems, fire alarms, emergency power as well as perform permit plan checking and inspections. The Port currently has 2.0 FTEs to provide electrical engineering services which have been inadequate given the amount of work required to maintain electrical systems throughout various Port facilities.

(New) 0923 Manager 1 – annual salary $104,113

This position will support the Port's Homeland Security Director including training Port staff on homeland security and emergency operations and response, maintaining and updating Port security

and emergency response plans, developing and implementing security and emergency response exercises, and coordinating on a daily basis with the Port's unarmed security guard contractor.

(Transfer from Capital Budget) 1022 IS Administrator II – annual salary $78,222

The Port is nearing completion of its multi-year project to upgrade its network and systems infrastructure whose aging components were on the verge of failure. The upgrade is comprehensive including storage area network, switches, server consolidation, new back-up system and security appliance, and converting from Novell Netware to Microsoft Windows operating system. The Port hired a 1022 IS Administrator II to help implement these upgrades and improvements. The Port has had 2.0 FTEs to manage and maintain the Port's network, systems, and desktop computers. Through the upgrade project, we have learned that the third position is essential to proper systems maintenance.

The following five position reclassifications are proposed in the Port's FY 2007-08 budget:

4.0 FTE Information and Technology Positions – total annual salary increase $77,821

1022 IS Administrator II	($78,222)
1042 IS Engineer-Journey	$106,827
1023 IS Administrator III	($95,802)
1042 IS Engineer-Journey	$106,827
1024 IS Administrator-Supervisor	($102,338)
1043 IS Engineer-Senior	$118,344
1070 IS Project Director	($124,236)
1071 IS Manager	$146,421

As noted above, the Port is completing a comprehensive computer system upgrade. In the process of researching, designing and implementing this new infrastructure, Port systems and network staff increased their skills and experience base significantly. The new infrastructure is far more complex and state-of-the-art, and requires the broader and deeper skill set of IS Senior and Journey level Engineers. The proposed position upgrades will provide the level of expertise required to maintain the new upgraded systems.

Real Estate Division Administration – salary increase $24,206

1842 Management Assistant	($67,314)
1827Administrative Services Manager	$91,520

The Real Estate Division has had an 1824 Principal Analyst to manage the Division's administrative functions including tenant billings, overseeing the Division's lease management computer application, and supervising clerical and other administrative staff. This position has also provided analytical support to the Division such as analyzing lease opportunities to determine optimal uses for the facility, evaluating potential tenants' ability to pay rent, projecting lease revenues, developing collection policies, developing Port asset strategic plans, etc. Since the day-to-day

administration of the Real Estate Division tends to consume the 1824 Principal Analyst's time, the analytical projects would often fall to a lower priority and not get done. To better manage the two areas of responsibility, we are proposing to reclassify a vacant 1842 Management Assistant position to an 1827Administrative Services Manager position and have the new position manage all of the administrative responsibilities of the Real Estate Division and allow the 1824 Principal Analyst position to focus on analytical projects for the Real Estate Division.

Summary

The Port's proposed FY 2007-08 budget reflects the Port's efforts to fund one-time projects that will enable the Port to repair and upgrade its facilities through development studies and engineering designs and plans. In addition, we propose to replace several extremely old trucks in the Port's Maintenance Division which will allow us to purchase cleaner fuel efficient vehicles. Finally, the Port's FY 2007-08 budget provides funding to finalize the Port's Oracle upgrade project as well as better staff its information and technology system and projects that will provide the Port with robust, flexible systems and network infrastructure.

Our policy direction for the Port's budget is to conservatively program on-going operating budget expenses such that if there is a sharp decline in revenues, we can easily adjust our expenditures. In addition, we want to budget as much one-time costs as possible to address the Port's strategic goals of developing and maintaining its property.

Prepared by: Tina Olson, Deputy Director, Finance and Administration

PORT OF SAN FRANCISCO

MEMORANDUM

February 8, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney A. Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Proposed $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY - NO ACTION REQUIRED

Attached is the Capital Project Budget that Port staff is proposing for Fiscal Year 2007/08. The Capital Project Budget is being presented for the Port Commission's review, comment and input. The final Fiscal Year 2007/08 Capital Project Budget will be brought back to the Port Commission for approval at the February 27, 2007 meeting.

Over the past several months, the Executive Director, the Capital Project Budget Committee (CPBC) (comprised of the Port's Deputy Directors and the Chief Harbor Engineer), and other key Port staff met to review and prioritize capital project funding requests for FY 2007/08 that were submitted by the Port's Divisions. The Executive Director and CPBC used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) health and safety issues; (ii) completion of funding for projects that are currently underway; (iii) preservation of Port assets; (iv) prevention of loss of revenue to the Port; and v) maintenance of Port facilities. Funding for these projects will be provided by the unappropriated balance from the Port's operating fund, and the partial defunding of one previously approved capital project.

The FY 2007/08 proposed budget provides Port funding in the amount of $7,742,800 for capital projects as detailed in Exhibit 1.

The capital project budget that staff is proposing for FY 2007/08, shown in Exhibit 1, includes funding for the Port's maintenance dredging program for next year, exterior and structural repairs to the Noonan Building located at Pier 70, the initial phase of a complete overhaul of Piledriver

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No.1, and the removal of a portion of the sidewalk in front of Pier 33 that protrudes into The Embarcadero roadway and causes traffic congestion on days that cruise ships call at the Port. Also included in the proposed capital project budget is additional funding for: (i) various Port capital projects established to repair the pier structures, utility infrastructure and roofs of Port facilities, (ii) railroad track maintenance, and (iii) a capital project established for physical improvements to Port facilities to make them more accessible to the disabled. Lastly, the proposed capital project includes funding for homeland security improvements throughout the Port including improved fencing, barricades, security cameras, communications improvements, and networking systems.

Project funds would be available for either direct financing of improvements, or for local matches to homeland security enhancement grants awarded to the Port. Port staff is currently in the process of applying for approximately $3 million in Homeland Security grants.

The Port has historically maintained a certain level of unappropriated funding (known as an operating reserve) in the operating fund for emergencies and other operating contingencies. One time, unappropriated operating fund balances in excess of those held for the operating reserve are available to fund capital projects. The estimated amount of total funding available for capital projects and operating reserves is $15.76 million for FY 2007/08. This available funding consists of the following:

	Operating Fund
Unappropriated Fund Balance – FYE 2005/06	$12,744,740
Budgeted Revenues less Expenses – FY 2006/07	1,431,434
Partially Defund Pier 80 High Mast Lighting Project	150,000
Estimated Fund Balance as of FYE 2006/07	$14,326,174
Plus: Proposed Revenues less Expenses - FY 2007/08	1,432,748
Total Available Funding	$15,758,922

The Maritime Division asked that funding for the Pier 80 High Mast Lighting project be reduced by $150,000, and that the funds be added to their Pier 80/92/96 Rail Track Maintenance project. Maritime staff have indicated that the remaining funds in the Pier 80 High Mast Lighting project will be sufficient to complete the required lighting repairs.

Funding the FY 2007/08 Capital Project Budget as proposed would result in an operating reserve of $8.0 million, or 13.41% of the FY 2007/08 operating expense budget as shown in the table below:

	Operating Fund
Total Unappropriated Funding Available	$15,758,922
Less: Proposed FY 2007/08 Capital Project Budget	($7,742,800)
Operating Reserve (13.41% of FY2007/08 Expenses)	$8,016,122

Based on the Port's existing capital project needs and available funding, Port staff submits to the Port Commission the attached proposed Capital Project Budget for Fiscal Year 2007/08 for its review, comment, and input.

Prepared By: Lawrence Brown, Financial Analyst
For: Tina Olson, Deputy Director, Finance

EXHIBIT 1

Capital Projects
Proposed Funding for FY 2007/08

Project	Operating Fund	Previous CP or Other Funding	Total Project Funding
Northeast Waterfront			
Pier 33 to 35 Curb Cut Project	200,000	0	200,000
Southern Waterfront:			
Pier 70, Bldg 11 Exterior Maintenance – Add'l Funding	142,500	57,500	200,000
Pier 80/92/96 Rail Track Maintenance – Add'l Funding	150,000	166,786	316,786
Portwide Projects:			
Dredge Testing – FY 2007/08 Program	330,000	0	330,000
Maintenance Dredging – FY 2007/08 Program	2,670,800	0	2,670,800
Roof Repair Project – Add'l Funding	1,200,000	1,919,000	3,119,000
Port ADA Transition Plan – Add'l Funding	500,000	633,961	1,133,961
Pier Structures Repair Project, Phase II	1,007,500	0	1,007,500
Utilities Project – Add'l Funding	1,000,000	1,175,000	2,175,000
Piledriver No.1 Drydock & Repair	292,000	0	292,000
Homeland Security Enhancements Grant Match	250,000	0	250,000
Total Proposed Project Funding	**$7,742,800**	**$3,952,247**	**$11,695,047**

FY 2007/08 CAPITAL PROJECT BUDGETS

Project Name	Amount	Description
Pier 33 to 35 Curb Cut Project	$200,000	The project funds the removal of a portion of the sidewalk in front of Pier 33 that protrudes into The Embarcadero roadway On cruise ship days, cars and taxis dropping off passengers protrude into a North bound traffic lane of The Embarcadero creating traffic congestion. Removing the sidewalk protrusion will provide additional space for parking and queuing of cars & taxis on cruise ship days, thereby reducing traffic congestion and improving North bound traffic flow on The Embarcadero. The project scope includes: - Removal of approximately 150 feet of curb & gutter, and 1,800 square feet of sidewalk; - Relocation of a Muni overhead pole, and a fire alarm pole; and - Reconstruction of approximately 150 feet of curb & gutter, 600 square feet of sidewalk, and 1,200 square feet of roadway.
Pier 70, Bldg 11 Exterior Maintenance – Add'l Funding.	$142,500	This project funds the replacement of damaged wood structural framing and exterior siding on Pier 70, Building 11; commonly known as the Noonan building. Painting the building's exterior is also included. These repairs are needed to maintain the building's structural integrity, and to protect the exterior against water infiltration. The repairs required are more extensive than originally anticipated; and, as a result, $142,500 in additional funding is needed to complete the project. The total cost of the project is $200,000.
Pier 80/92/96 Rail Track Maintenance – Add'l Funding	$150,000	This project funds the repair and/or replacement of several sections of deteriorated railroad track at Piers 80, 92, and 96. Failure to maintain the Port's railroad trackage can ultimately lead to track failure and derailment of locomotive and railcars. $150,000 in additional funding is needed to fully fund the railroad track repairs, bringing the total project cost to $316,786.
Dredge Materials Testing - FY 2007/08	$330,000	This project will fund testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities planned for FY 2007/08.
Maintenance Dredging - FY 2007/08	$2,670,800	This project will fund the Port's dredging activities for FY 2007/08. More specifically, the project will fund dredging at Piers 27, 35, 80, 92, and Islais Creek Channel. Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.

FY 2007/08 CAPITAL PROJECT BUDGETS (cont.)

Project Name	Amount	Description
Roof Repair Project – Add'l Funding	$1,200,000	This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost. To date, $1,919,990 has been appropriated for this project; most of which has been committed for specific roofing projects. $1,200,000 in additional funding is now needed to repair the roofs at Pier 33 and Pier 80 Shed A. Funding provided by this project is also available for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs.
Port ADA Transition Plan – Add'l Funding	$500,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. Port staff have determined that additional funding is needed for accessibility-related improvement projects at the 501 Caesar Chavez Building, Pier 45, Aqua Vista Park, Islais Creek Park, Cargo Way, Terry Francois Blvd. and Little Embarcadero in Fisherman's Wharf, among others.
Pier Structures Repair Project, Phase II	$1,007,500	The original Pier Repair project (Phase I) financed engineering, permitting, inspection and repair of or improvements to the Port's pier substructures. To date $6,054,064 has been appropriated, almost all of which as been committed for 25 different projects. The large number of individual projects financed by this project, has made it impractical to fund and track new pier repair projects through this funding source. As a result, a new project, the Pier Structures Repair Project - Phase II, is needed to fund and track the Port's new pier repair capital projects beginning in FY 2007/08. This project (Phase II) funds engineering, permitting, inspection and repair of or improvements to the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. Funding is needed to make repairs to the Pier 9 & 35 aprons. Funding provided will also cover pier-related repairs at other facilities as required. Repairing the Port's pier structures is necessary to ensure: i) the continued safe operation of the Port's pier superstructures and buildings, ii) the preservation of lease revenues, and iii) the extension of the economic life of the Port's pier and marginal wharf assets.

FY 2007/08 CAPITAL PROJECT BUDGETS (cont.)

Project Name	Amount	Description
Utilities Project – Add'l Funding	$1,000,000	This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, water, electronic security, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. To date, $1,175,000 has been appropriated for this project; almost all of which has been committed for specific utility projects. Additional funds are now needed for fire systems certification, utility mapping, and utility projects at Piers 33, 17, 28, 30/32, 48, & 50. Funding provided will also finance utility-related repairs at other facilities as needed.
Piledriver No.1 Drydock and Repair	$292,000	This project funds the drydocking and complete overhaul of the Port's Piledriver No.1. $292,000 will fund the initial phase of the project consisting of the following: - Sandblasting, painting and making repairs to the hull; - Evaluating the foot print of the crane on the vessel deck to establish structural support required; - Strengthen the top deck of the vessel by double plating the deck. Additional repair work to the vessel will begin when additional funding becomes available and appropriated in a future capital budget.
Homeland Security Enhancements	$250,000	This project will fund Homeland Security improvements throughout the Port including, improved fencing, barricades, as well has security cameras, communications, and networking systems. Over the past several years, the Port has received federal and state grants to fund much of the security and operations improvements along the waterfront. Many of these grants require local match funding (typically 20% - 25% of the project total) as a condition of the grant award. This project will provide $250,000 in funding for Homeland Security improvements including local funding matches for homeland security enhancement grants awarded to the Port.
Total Proposed Project Funding	$7,472,800	

PORT OF SAN FRANCISCO

MEMORANDUM

February 8, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Annual Update of the Port of San Francisco 10-year Capital Plan

DIRECTOR'S RECOMMENDATION: INFORMATION ITEM

Background

As required by the City's Administrative Code 2.30 – 2.31, Port staff updated its comprehensive 10-year Capital Plan to address the Port's outstanding capital needs which is due to the Mayor and Board of Supervisors on March 1, 2007 and is expected to be adopted through Board of Supervisors legislation by May 1, 2007. This Capital Plan assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them. Our goal in developing this Capital Plan continues to be to provide a rational, transparent basis for pursuing public funding and public/private partnerships to address the Port's looming capital crisis.

The Capital Plan prioritizes proposed capital needs and spending in a manner that reflects the Port's institutional values, including; 1) ensuring the safety of the public and our tenants, 2) fiscal responsibility, and 3) fulfilling the Port's mission. The Capital Plan also helps the Port identify facilities and/or piers that may be subject to eventual closure as a result of insufficient funds.

Methodology Used to Develop the 10-year Capital Plan

The Port's Capital Database quantifies the Port's outstanding capital needs, which consist primarily of repair and replacement work required due to deferred maintenance and code compliance (mostly seismic) work. The Port database only estimates the backlog of the Port's capital projects as of 2006, or the "catch up" work; it does not currently provide any estimate of the ongoing capital renewal requirements of the Port. Estimates of how much the Port will need

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every year to replace capital assets that have reached the end of their operable lifespan will be incorporated into the FY 2007-08 iteration of this plan. This Capital Plan does not include all of the costs associated with upgrading a Port facility to accommodate a new use. Rather, we assumed the Port's facilities' uses would remain the same.

In order to assess all of the Port's considerable capital holdings, Port staff developed a per-unit cost methodology for many facilities, which we describe in detail in the 10-year Capital Plan. By its nature, this is an imprecise (albeit accepted) method of estimating potential costs. Where more specific cost estimates were available, often from studies by private development partners or Port engineering reports, we adjusted for inflation and used those costs instead. Whether specific or per-unit, it is important to note that all cost estimates in this capital plan are for *planning purposes only*. Before the Port commences with letting contracts for any capital work, staff will follow the standard practice of preparing detailed engineering estimates suitable for issuing a request for construction bids to complete the work. In the case of work that will be undertaken at the Port's expense (and for which funding is available), this process will conclude with formal bid estimates obtained through the Port's competitive bidding process. Where leases require tenant responsibility for capital improvements, tenants will negotiate directly with contractors to obtain the best price.

We chose to represent the Port's Capital Plan in current dollars (2006) because it is standard practice, generally speaking, for long-term capital planning. Furthermore, given the current lack of funding and a myriad of other constraints, it would be difficult to escalate our Plan with any credibility.

10-year Capital Plan Findings and Recommendations

This review of the Port's capital assets resulted in the development of 677 capital projects, totaling $1.4 billion, primarily in needed seismic and deferred maintenance work.

The table below shows the Port's capital need distributed among the six regions of the Port waterfront in order of largest dollar amount:

Region	Amount Needed	%
Southern	$534,684	37
Northeast	319,216	22
South Beach	270,383	19
China Basin	123,274	9
Fisherman's Wharf	70,671	5
Ferry Building	63,350	4
Portwide	57,538	4
Other	7,653	< 1
Total	$1,446,769	100%

As illustrated above, over a third of the Port's over all need lies in its Southern waterfront. This is due to the very substantial need of the Pier 70 area, which lies within the Southern waterfront region. Specifically, the Port's estimate for the Pier 70 area totals approximately $338.1 million, or about 24% of the Port's overall need.

The Port's 10-year Capital Plan identifies approximately $491 million of potential funding from various sources including Port tenants, the Port's operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds. The table below illustrates the potential amounts available from identified funding sources:

Funding Source	Total 10-year Amount	Percent of Total
Tenant Responsibility	$54,626,907	3.78%
Port Operating Budget	86,600,000	6.00%
Port Revenue Bonds	97,500,000	6.75%
Development Projects	117,259,000	8.12%
Infrastructure Financing District	135,000,000	9.35%
Total Funded	**$490,985,907**	**34%**
Unfunded	**955,783,093**	**66%**
Total 10-year Capital Plan	**$1,446,769,000**	**100%**

Thus, approximately $956 million of the $1.4 billion in identified need are unfunded projects. These are projects for which the Port (1) does not expect to have sufficient funds to cover the estimated costs to repair and upgrade the facility, and (2) has not issued an RFP or entered into negotiations with a developer to finance the upgrades. The Capital Plan identifies several funding options to address this unmet need such as development projects and grant opportunities. The Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and the Bay Conservation and Development Corporation (BCDC).

In short, the Port continues to face the possibility of closing up to seven piers that have the largest unfunded balances (Piers 26, 28, 33, 35, 38, 54, and portions of Piers 50 and 80) in the future if it fails to secure public funding and/or development projects to repair and replace the deteriorated infrastructure. The Port is also close to losing the historic buildings at Pier 70 due to their frail condition.

Major Changes from the Port's FY 2005-06 10-year Capital Plan

Port staff spent more time this year evaluating projects that could be funded through Port revenue bonds, Infrastructure Financing District tax increment funds and General Obligation bond funds as well as revisiting bond financing assumptions. The Port currently assumes issuance costs would be less than it assumed in the FY 2005-06 10-year Capital Plan and that we would be able to secure bond insurance rather than a bond reserve. As a result, the FY 2006-07 10-year Capital Plan programs $97.5 million in revenue bonds rather than $85.9 million. We also reviewed options to fund other smaller projects that could result in increased net operating revenues from such investments. As a result, we added the Agriculture Building, Pier 24.5 and apron and wharf repairs to the list of Port facilities in which the Port would invest its revenue bond proceeds. We also broadened Pier 19 to include Piers 23, 33 and 35 to reflect the fact that we have not begun planning for any of those piers. After such a planning process, it will be clearer which pier(s) would be the best candidate(s) to receive revenue bond financing.

Since issuance of the FY 2005-06 10-year Capital Plan, Port staff have researched and analyzed Possessory Interest Tax calculations and refined its debt financing assumptions that resulted in better IFD bond estimates for Port development projects. As a result, the Port estimates issuance of $135 million in IFD debt for two projects – Piers 27-31 and Pier 70 - while the FY 2005-06 10-year Capital Plan estimated $17.5 million in IFD debt for Pier 70. The Port is proposing to issue IFD debt for the Piers 27-31 project to help fund substructure repairs and seismic upgrades required to develop the remainder of the piers using private financing. The Port is also proposing to use IFD funds to cover Pier 70 infrastructure costs which consist of $75 million to construct streets, sewers, water mains, sidewalks, and street lighting as well as environmental clean-up and possibly contribute to renovating a historic building for a public use. There may be other Port development projects for which issuing IFD debt will be necessary to repair and upgrade the Port's property under a private/public partnership. However, as of the writing of this report, the Port has not identified specific sites where it plans to issue an RFP for a development project for which it requires public financing to attract developers.

Port staff also identified the following six open space projects that we have requested be included in the City's Park System Renovation and Improvement General Obligation bonds that are planned for the June 2008 ballot and the November 2015 ballot. Some of these projects may also be good candidates for the State's Proposition 1C Infrastructure Bond funds approved by the voters in November 2006.

- **Blue Greenway** – Consistent with the recommendations from the 2006 Mayor's Blue Greenway Task Force, the Port is proposing to develop (1) a new 2-acre Blue Greenway Northern Gateway Park adjacent to Mission Creek, (2) improve and expand Warm Water Cove Park to be a 3-acre shoreline park, and (3) make various streetscape and landscape improvements along Cargo Way. The total estimated cost of these projects is $8 million.

- **Pier 70 Crane Cove Park** – Adjacent to the United State's oldest operating civilian shipyard, Crane Cove Park would serve the Central Waterfront and Potrero neighborhoods and feature the historic Pier 70 shipyard, a public beach and include a historic slip with two cranes, and over 1,200 feet of Bay edge access that could include a small boat/aquatic center. The project is estimated to cost $15 million.

- **Bayfront Park at Mission Bay** – This project would rebuild the Bay edge to accommodate the recreation uses of the planned Bayfront Park in Mission Bay. The project is estimated to cost $3 million.

- **Brannan Street Wharf** – On the water's edge in the heart of South Beach, this project would replace the dilapidated Piers 34 and 36 with 60,000 square feet of new wharf and a public float for small boats and a 400 foot landscaped area. The project is estimated to cost $21 million.

- **Northeast Wharf** – At Pier 27, adjacent to the planned mixed-use recreation center at Piers 27-31, this 3-acre plaza would serve residents and visitors. The project is estimated to cost $5 million.

- **Fisherman's Wharf Plaza** – A new series of linked open spaces in the heart of Fisherman's Wharf along the Bay to enhance the quality of the pedestrian experience

including a new plaza and a continuation of The Embarcadero Promenade. The project is estimated to cost $9 million.

These are open space improvement projects that the Port is either required to implement through a Bay Conservation and Development Commission (BCDC) permit and/or the community has expressed a strong desire for additional open space along the City's waterfront. The Port agrees that providing additional parks and open space on its property would greatly enhance the public's experience of the Port. Since the Port does not derive revenues from park or open space uses of its property, they become lower priority projects. Open space projects primarily benefit the general public. As such, it is appropriate to secure public funds to construct them.

Revision of the Port's Development Model

One of the most significant new developments over the past year has been the realization by Port staff that the Port's development model has become 'broken.'

Specifically, the Port can not rely exclusively on private capital to fund repairs and seismic upgrades to the Port's piers because the cost to make such improvements combined with the restrictions on new uses of the piers result in a low rate of return to the developer. As a result, developing the City's waterfront will require an investment in public funds through the Infrastructure Financing District tax increment funds, the City's General Obligation bond funds, and/or State and Federal grants. In addition, we need more of an effort to reach consensus between the City, State agencies, and citizens as to what they want and can accept from that development.

Conclusion

The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance. As described in this updated 10-year Capital Plan, the Port has identified $1.4 billion of repair, replacement and seismic upgrades required for the continued use of its facilities. Since these estimates are in 2007 dollars, this amount will grow with the passage of time. The 10-year Capital Plan identifies $491 million as funded through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district. While this capital plan also identifies policy options that the Port can pursue to fund a portion of the remaining $956 million in unfunded projects, the Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and BCDC.

Prepared by: Tina Olson, Deputy Director
Finance & Administration

PORT OF SAN FRANCISCO

MEMORANDUM

February 9, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on the Port's Condemned Piers, Wharves and Aprons Identified for Demolition

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY – NO ACTION REQUIRED

INTRODUCTION

The Facility Assessment Team (FAT) has prepared a list titled "Condemned Piers, Wharves and Aprons Identified to be Demolished" in order to prepare for, prioritize and schedule future demolition projects. The facilities on this list have been inspected and been found to be unsafe for occupancy. These facilities have been so posted, and have been barricaded to prevent access for public safety. They no longer fulfill any operational or functional need due to the extent of their deterioration. As such, these facilities have been included on a list, to be used to prioritize demolition projects, which will be reviewed as part of the Port's ongoing capital and operating budgeting processes.

BACKGROUND

Around 1998, during the course of the Southern and Mid-Embarcadero Roadway Projects, Department of Public Works engineers submitted findings to the Port which indicated that conditions were deteriorating at the Port's marginal wharf adjacent to the roadway improvement project. Port engineering staff inspected and confirmed these observations. These findings, and other reports of deteriorated conditions on the waterfront, lead Port staff to recognize the need to take a proactive approach to structurally inspecting the condition of each of the Port's facilities. To accomplish this program Engineering created the Facilities Assessment Team (FAT) for the purpose of performing facility inspections and documenting existing conditions. Soon after the first inspections were performed the FAT grew to include representatives from each of the Port

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divisions. The FAT meets monthly to prioritize inspections, review the results of recent inspections, notify tenants of structural conditions, establish repair responsibility, prioritize repairs, establish funding, track project repair schedules, and document facility repairs executed by Port Maintenance or Port tenants. A FAT informational item will be presented to the Port Commission at its March 13, 2007 meeting. The presentation will detail the FAT findings and the repair projects in-progress and completed to date.

The FAT developed a program to perform rapid structural assessments (RSA's) for all of the Port's unique waterfront facilities. The RSA's report the structural condition of the facility, determine if any load or access restrictions are required, and assign a structural rating to report the structural condition. To date, the FAT has prepared RSA's for every Port facility including all substructures, piers, aprons, marginal wharves and superstructures.

Deteriorated Piers

The Port's waterfront structures were constructed over several decades and the majority of the facilities in use today were constructed between 1910 and 1940. Types and methods of construction and construction materials changed significantly over this timeframe. Waterfront facility deterioration generally consists of dryrot and loss of section in wood; rebar corrosion, spalling and material degradation in concrete; and, corrosion and loss of section in steel waterfront structures. Wood piles have additional vulnerabilities including: infestation by marine bores and wear from floating debris. The type of construction influences a structure's durability. Concrete beam framed substructures, for example, are more susceptible to spalling and rebar deterioration than flat slab construction. Photos follow to describe some of these deteriorated conditions.

Prior to performing a facility inspection, the FAT's inspectors review the structural plans for the facility. The plans show the structural framing systems and indicate the significance of the various structural components and assemblies as well as the type of construction. The inspectors then perform the inspection noting any damage to these essential load carrying elements. Any such observed damage to the load carrying elements is then assessed in conjunction with the structure's load carrying requirements to establish whether a facility can remain in use. Many facilities have structural redundancy, the ability of other elements to carry the load of the deteriorated element, and can be kept in service while repairs are made. Other facilities lack redundancy and require closure, or partial closure, when key elements are deteriorated or damaged.

When a facility is deemed unsafe for the current use, the FAT takes appropriate action to barricade those unsafe areas or restrict loading to assure public safety. In some situations, the facility is in such an overall state of disrepair and deterioration that it needs to be taken out of use and condemned. These facilities are closed, barricaded, and signed/posted as unsafe both from the landside and waterside (if accessible from the water).

Condemned Facilities

Facilities condemned and taken out of service create additional security and maintenance issues and greatly increase the Port's liability exposure. Once a facility is taken out of use, there is no longer the tenant presence that maintains security, tidiness and performs routine maintenance

leaving these responsibilities to the Port. Past Port facility closures have experienced break-ins, fires and graffiti, and have required continual security and maintenance of the security barricades and signage. Condemned facilities require the constant attention of Port staff which is costly and drains Port resources. Demolition is being considered for these facilities as a means to eliminate these problems once funding is available.

A brief description of the facilities listed in the attached table, "Condemned Piers, Wharves and Aprons Identified to be Demolished" and the reasons demolition is proposed follows:

- Pier 96 Lash Barge Finger Pier – an 1800 foot long finger pier in the southern waterfront where an 80 foot length of the pier collapsed into the Bay less than a year ago. The structure has not been used for decades and there is no viable future use for this structure envisioned by Port staff.
- Pier 90 Grain Terminal Apron – An antiquated facility, not used since the 1970's. This structure has been out of use since the closure of the grain terminal and is now falling into the Bay. Currently any demolition would not include the steel grain loading arm structure which is supported on concrete substructures and is in fair condition.
- Derelict Wharves on Islais Creek West of Third St. – Two deteriorated and dilapidated wharf structures that have not been used for decades, and no viable future use for this structure is envisioned by Port staff. Currently any demolition would not include the Copra Crane Loading Structure.
- Wharf 7 at Pier 70 – This structure has deteriorated to the point that the only remaining sections consist of damaged piles sticking out of the water.
- Wharf 8 at Pier 70 – Up to the late 1990's, this pier was used to pump oil from ships to nearby storage tanks. As recently as five years ago, some boats would still tie up to the structure. At one point, Port staff briefly considered the idea of retaining the pier, repairing it in such a way so that it could serve as a breakwater for drydock operations, but this option was found to be very costly.
- Pier 64 – This facility has been degenerating for a long time, and now consists of nothing but piles sticking out of the water.
- Pier 60, formerly Carmen's Restaurant – The 4th Street bridge project forced the relocation of Carmen's Restaurant. Following the move, Port staff evaluated the facility and determined that the substructure had deteriorated beyond the point of repair. Subsequently, the facility suffered substantial fire damage making demolition the only viable option.
- Pier 52, former railroad barge loading facility – This facility has been out of use for several decades and will require additional consideration and review prior to proceeding with demolition due to the facility's historic significance.
- Pier 36 and the Marginal Wharf from Piers 32 to 36 ("Pier 36") – This pier already is in the planning stages for demolition, pursuant to Port and BCDC planning objectives to remove Bay fill and create the Brannan Street Wharf public park. It is the only pier demolition project funded in the Port's 10-year Capital Plan.
- Remaining portion of Pier 24 adjacent to the Bay Bridge support pier – Removal of this remaining piece of Pier 24 is a requirement of BCDC.

Regulatory Issues

Prior to the demolition of piers, aprons or wharf structures, the Port is required to secure the necessary entitlements to allow for demolition. Entitlements may include but are not limited to Environmental Review through the California Environmental Quality Act (CEQA), an Army Corps of Engineers permit, San Francisco Bay Conservation and Development Commission (BCDC) permit and a Regional Water Quality Control Board permit.

Port staff will coordinate with each of the required regulatory agencies to insure all necessary permits are secured prior to demolition.

FUNDING

The Port's 10-Year Capital Plan identifies a variety of funding sources to be used to repair Port facilities and identifies certain facilities to be repaired. The 10-Year Capital Plan also identifies facilities that have no funding source available for repair. In cases where there is no funding source for a condemned facility, the Port is given the choice of securing the facility to ensure public safety, or demolishing the facility. The attached table, "Condemned Piers, Wharves and Aprons Identified to be Demolished", indicates the 10-Year Capital Plan's funding for these facilities.

Currently, Pier 36 is the only Port facility on the list that has funding available for demolition. This funding is included in the Brannan Street Wharf/Special Area Plan appropriations totaling $15 million, $9 million of which is related to the Port's Seawall Lot (SWL) 330 land sale proceeds (and is on a Board of Supervisors reserve) and $6 million of which is from annual capital project appropriations for the Special Area Plan. At this time the engineer's cost estimate for the demolition of Pier 36 is approximately $4.85 million, which includes the complete demolition of the shed, pier, marginal wharf and section of marginal wharf extending north to Pier 32, with piles being removed to a point that is approximately two feet below the bay floor mudline.

SUMMARY

Port staff have developed the FAT program and from this program have identified a demolition list for condemned piers, wharves and aprons. All of these facilities have been barricaded for public safety. Funding is available for the demolition of Pier 36. Staff will begin the permit process and develop the necessary construction documents for the Pier 36 demolition. Staff will seek Port Commission authorization to advertise this demolition project in spring 2008, after all necessary permits and regulatory reviews have been obtained or completed.

Prepared By: Joe Roger, Structural Engineer

For: Edward Byrne, Chief Harbor Engineer

DATE: 02/06/07

PORT OF SAN FRANCISCO
CONDEMNED PIERS, WHARVES AND APRONS TO BE DEMOLISHED

NOTE- All deteriorated piers, wharves and aprons are signed and barricaded for public safety.

PRIORITY	FACILITY	CONDITIONS	FUNDING	APPROX. SQ FT	DEMOLITION COST ESTIMATE	COMMENTS
TBD	Lash Barge Finger Pier	*deteriorating wooden piles supporting concrete platform	No funding	17,600	$264,000	*complete demolition required
TBD	Pier 90 Grain Terminal Apron	*deteriorating wooden piles support collapsing wooden platform beneath layer of asphalt	No funding	79,092	$1,186,380	*decking between 6 Towers collapsing, remainder of decking on top of concrete pads in good condition (concrete pads not included in the square footage)
TBD	Islais Creek Channel Derelict Wharves (west of third st.)	*wooden piles sticking out of the water *most of the wooden decking fallen in water	No funding	126,000	$882,000	*complete demolition required (2 wharves), remove piles and debris from Bay floor
TBD	Pier 70, Wharf 7	*collapsing wooden decking supported by wooden piles	Not funded, Capital Plan indicates future development site	66,000	$462,000	*complete demolition required, remove piles and debris from Bay floor
TBD	Pier 70, Wharf 8	*collapsing wooden decking and 4" thick asphalt supported by steel piles	Not funded, Capital Plan indicates future development site	154,000	$2,310,000	*northern half of wharf 8 needs demolition, remove piles and debris from Bay floor.
TBD	Pier 64	*wooden piles sticking out of the water (most of the wooden decking fallen in water)	Not funded, Capital Plan indicates future development site	30000 remaining	$210,000	*complete demolition required
TBD	Pier 60 (Former Carmen's Restaurant)	*collapsing wooden decking supported by wooden piles	No funding	Bldg.: 1,215 Pier: 6,429	$138,000	*complete demolition of both building and pier required
TBD	Pier 52 (Former ATSF Railroad/ Barge Loading Facility)	*collapsing wooden piles and decking supporting railroad track	Not funded, Capital Plan indicates future development site	32,000	$640,000	*cost estimate includes demolition of the railing system *complete demolition required *steel loading apron
#1	Pier 36 and Pier 32-36 Marginal Wharf	*deteriorating wooden piles support collapsing wooden platform beneath layer of asphalt (east half of pier) *random wooden piling sticking out of water (northeastern area of pier) *significant deteriorated concrete substructure (west half of pier and marg. wharf)	Funded through Brannan Street Wharf Special Area Plan	Wood Pier: 47,581 Concrete Pier: 110,764 Shed Bldg.: 35,900	$4,850,000	*complete pier and marg. wharf demolition required. *under the Special Area Plan demolition must be completed 15 years from July 2000.
TBD	Pier 24	Concrete section at Bay Bridge support	No funding	20,000	$600,000	*Barricaded and signed *complete demolition required *requirement of BCDC permit
					$11,542,380	TOTAL DEMOLITION COST



Photo 1: Pier 32-36 Marginal Wharf Deteriorated Concrete Framing



Photo 2: Pier 36 Looking West





Photo 3: Pier 36 Deteriorated Concrete Pile



Photo 4: Pier 36 Slab Deteriorated Reinforcing Steel







Photo 5: Pier 64 Looking Southwest



Photo 6: Pier 64 Looking Northwest



Photo 7: Pier 90 Looking East



Photo 8: Pier 90 Looking South





PORT OF SAN FRANCISCO

MEMORANDUM

February 7, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: First Amendment to Non-Exclusive Management Agreement #13652, between the Port and Metro Cruise Services LLC for the management of the passenger cruise terminal at Pier 35 and other Port facilities designated for cruise ship operations

DIRECTOR'S RECOMMENDATION: APPROVE ATTACHED RESOLUTION

Background
Metro Cruise Services LLC (Metro) is the marine terminal operator at the Port's cruise terminal at Pier 35. Metro and its predecessor, California Stevedore & Ballast (CS&B), which was founded in 1852, has been the Port's cruise terminal operator in excess of thirty years. Metro is currently operating under Non-Exclusive Terminal Management Agreement #13652, a five-year agreement approved by the Port Commission on April 27, 2004. It will expire on April 30, 2009.

Port staff seeks your authorization to amend the Management Agreement to address business issues that have arisen since this agreement was implemented, as outlined in the Key Business Terms section below. These include increasing the management fee, specifying maintenance responsibility for new security equipment, and clarifying operational responsibilities and costs at alternate cruise facilities. A general cruise industry update is also provided in this report, which outlines the Port's efforts to address and manage environmental and traffic impacts of cruise ships on the waterfront.

The passenger cruise business at the Port of San Francisco has grown in the past few years. From 1999 to 2002, the Port averaged 42 cruise ship calls and 74,000 passengers a year. From 2003 to 2006, the averages increased to 82 calls and 193,000 passengers a year. In 2006, the Port hosted 81 cruise ships and a record 223,615 passengers.

The cruise industry has undergone significant vessel deployment shifts since 2001. World events have led to the expansion of the drive-to cruise market, where passengers can drive rather than fly to their embarkation ports. Cruise lines, since September 11, 2001, have been

This Print Covers Calendar Item No. 11A

offering more domestic cruises. This new trend, along with the greater size and speed of ships, has increased volumes at San Francisco and many American ports.

To accommodate 23 cruise ship calls in the month of May 2006, the Port supplemented the Pier 35 cruise terminal by activating Pier 27 and Piers 30/32 as supplemental berthing facilities. Pier 27 required dredging and the installation of a new fendering system, while the Piers 30/32 operation needed tents, fences, and barricades. Metro has been an invaluable partner to the Port in providing outstanding service to our cruise line customers at each of these locations.

Metro Cruise Services LLC

As the Port's cruise terminal operator, Metro provides key services to the Port's cruise line customers, including: management of longshore labor, stevedoring equipment, and terminal fixtures; as Facility Security Officer, enforcement of homeland security regulations in conjunction with Customs and Border Protection, the Coast Guard, and the ships; and implementation of logistical plans for efficient passenger processing. Metro has been an essential partner to the Port in fulfilling its mission to provide cruise ship facilities in San Francisco, both operationally and financially. They have an excellent reputation as a proven and trusted service provider throughout the cruise industry.

Metro desires to stay aligned with the Port in planning its future cruise terminal development. The original term of the Metro agreement was set to coincide with the opening of the proposed San Francisco Cruise Terminal (SFCT) at Piers 30/32 in 2009. Setting up alternate cruise sites is costly for both the Port and Metro, but it is necessary to protect current and future business. Metro has partnered with the Port in making the required off-site terminal arrangements, including the advancement of funds for services and fixtures on the Port's behalf. The amendment is extending the term two years because the Port credits to Metro for setting up Piers 30/32 and Pier 27 were approaching final year of current contract. The amendment will change the nature of the reimbursements from credits to actual payments, but the Port's cost obligation under the new amendment is unchanged.

Key Business Terms

The proposed First Amendment to the Non-Exclusive Management Agreement contains the following key business terms:

1. The amendment will reflect that Metropolitan Stevedore Company has changed its name to Metro Cruise Services LLC. Both Metropolitan Stevedore Company and Metro Cruise Services LLC are subsidiaries of Nautilus International Holding Corporation. There was no transfer or assignment of ownership interests to a third party as a result of this name change.

2. The current Management Agreement refers to the Pier 35 cruise terminal as the "facility" under Metro's management. The proposed amendment specifies Pier 27 and Piers 30/32 as examples of other facilities that Metro may utilize as alternate cruise terminals when Pier 35 is unavailable or occupied by other vessels. Maps of these locations are attached as exhibits.

3. The amendment clarifies the respective cost responsibilities of the Port and Metro for Shelter, Fencing, Utilities, Fixtures/Amenities, Security, and Signage.

4. The effective date of the amendment shall be January 1, 2007, and the new term of the Management Agreement shall be extended two years, to April 30, 2011.

5. The annual use fee payable to the Port shall be increased 10% to $165,000.00 for each year of the two-year extension period.

6. In either of the last two years of the contract term, if the number of calls exceeds 90 per year, then Metro shall pay the Port a bonus of $4,000.00 per call.

7. In either of the last two years of the contract term, if the number of calls declines to less than 55 per year, then the annual fee shall be decreased by 10%, but in no event shall the annual fee decrease to less than $150,000.00, the current annual fee.

8. Upon the effective date of the amendment, whenever Metro performs services at alternate cruise terminal locations and incurs the cost for any items for which the Port has responsibility, then the Port will reimburse Metro for such costs in the maximum amount of $150,000.00 per contract year. The Port, in its sole discretion, may use wharfage/passenger fees collected against cruise ships for such reimbursement. The Port will issue payment to Metro within 30 days following approval of invoices.

9. The amendment clarifies the respective obligations of the Port and Metro with regard to maintenance and repair. Under the amended terms, the Port shall be responsible for the shed structure exterior and the pier structure, including piles, beams, and deck surface; and Metro shall be responsible for the shed structure interior, including glazing, lighting, and floor coverings.

10. The amendment will clarify that Metro's current contractual obligations relating to insurance coverage, hazardous materials, indemnity and exculpation will also apply to alternate terminal locations other than Pier 35.

GENERAL CRUISE INDUSTRY UPDATE

Environmental Management Efforts

It is estimated that cruise ship activity at the Port generates approximately $60 million in annual economic impact to the local economy. Staff has worked to stimulate this important economic asset, but not at the expense of the environment. Based on recommendations from its Cruise Terminal Environmental Committee (CTEAC), the Port implemented initiatives aimed at reducing the environmental impacts of cruise shipping in San Francisco Bay. For example, the Port's unique and innovative Cruise Liner Emissions Reduction Program, funded by a $100,000 grant from the Environmental Protection Agency, was highly successful in getting cruise ships to use low-sulfur fuel in port and thereby reduce air emissions. During the 14-month grant period, from September 2005 to October 2006, particulate matter emissions were reduced by 916 pounds (equivalent to taking a large truck out of service for approximately 1.2 million miles), and sulfur emissions were reduced by 26.1 metric tons. State regulations now require all ships to use low-sulfur fuel or alternative compliance measures within regulated waters.

The Port, through the effort of CTEAC, revised its berthing agreement with cruise lines to prohibit any discharges into San Francisco Bay. Ships must demonstrate compliance with this zero-discharge policy by submitting a Cruise Ship Discharge Report (CSDR) for each

call at the Port. Since May 2004, there have been 230 cruise ship calls at San Francisco, and each ship has complied with the terms of the berthing agreement.

In addition, the Port established the Cruise Ship Environmental Award program in 2005 to give annual recognition to cruise ships with on-board environmental systems that decrease air and water pollution. The three categories evaluated are air emission reduction, wastewater treatment, and recycling and disposal programs for solid waste. Ships from Celebrity Cruises, Crystal Cruises, Princess Cruises, and Royal Caribbean International have won awards.

Traffic Management Efforts

In terms of traffic impacts along The Embarcadero, the Port has gone to great efforts to ensure smooth vehicular and pedestrian flow on the days of cruise calls. When multiple cruise ships are in port on the same day, the Port activates its berths at Pier 27 and Piers 30/32, which disperses cruise activity and traffic. In addition, the San Francisco Police Department assists in the management of vehicular traffic along The Embarcadero and at the terminals for every cruise ship call. Despite best efforts, however, traffic congestion is unavoidable during major civic events, such as the inaugural call of Queen Mary 2 on February 4-5, 2007.

In Fiscal Year 2005-06, the Port hired "10B" (off-duty) San Francisco Police officers, specifically for traffic control along The Embarcadero. This traffic-control effort entailed 1125 personnel hours, or approximately 140 individual eight-hour shifts at a cost to the Port of $73,000. Also in Fiscal Year 2005-06, the Port spent approximately $25,000 to rent programmable signs that were placed at key locations along The Embarcadero to inform motorists of cruise activities and provide alternative routes for through traffic. These signs proved so successful that the Port expended $130,000 in Fiscal Year 2006-07 for eight of its own programmable traffic signs for future cruise calls and other waterfront events.

Prior to the commencement of the busy cruise season of 2006, the Port notified tenants in writing of the dates of cruise ship calls and met with individual tenants situated near the cruise terminals to coordinate scheduling issues. Additionally, Port citizens' advisory committees were notified. The Port Public Affairs staff sent traffic alerts and press releases advising local media of increased cruise business. In May 2006, when the Port entertained record levels of cruise passengers, San Francisco Police officers reported that they observed minimal traffic impacts on The Embarcadero.

CEQA Review

This amendment to the Metro agreement provides a more explicit description of how Metro and the Port provide cruise ship services in San Francisco, and the amendment clarifies or assigns operational and cost responsibilities associated with the continuation of these activities. The amendment does not control or alter the number of cruise ship calls, which are market-driven decisions made by cruise lines. As such, the amendment is covered by a General Rule Exclusion issued to the Port by the Major Environmental Analysis (MEA) Division of the San Francisco Planning Department, to comply with the California Environmental Quality Act (CEQA) for projects that do not involve a change or intensification of use.

Conclusion
The cruise business is an important part of the Port's maritime portfolio, and it contributes significantly to the local economy. As the Port's cruise terminal manager, Metro Cruise Services LLC continues to provide excellent service to the Port's cruise customers at the Pier 35 cruise terminal and alternative locations, such as Pier 27 and Piers 30/32. The proposed amendment will address business issues that have arisen since the existing agreement between the Port and Metro was executed.

Recommendation
Port staff respectfully requests that the Port Commission approve the First Amendment to the Non-Exclusive Management Agreement as described in this report.

Prepared by: Michael Nerney
Maritime Marketing Representative

For: Peter Dailey
Maritime Director

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-10

WHEREAS, Section B3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, Under Charter Section B3.581 (g), leases granted or made by the Port Commission shall be administered exclusively by the Port Commission; and

WHEREAS, The Port holds in trust, and subject to its lawful disposition, certain maritime facilities including the passenger terminals at Pier 35, Pier 27, and Piers 30/32, situated in the City and County of San Francisco, that are necessary for conducting passenger cruise operations; and

WHEREAS, The San Francisco Port Commission on April 27, 2004, approved a five-year Non-Exclusive Management Agreement #13652 (the "Management Agreement") with Metropolitan Stevedore Company that is currently scheduled to expire on April 30, 2009; and

WHEREAS, Metropolitan Stevedore Company has changed its name to Metro Cruise Services LLC; and

WHEREAS, Metro Cruise Services LLC provides key services to the Port's cruise line customers and has been an essential partner to the Port in fulfilling its mission to provide cruise ship facilities in San Francisco; and

WHEREAS, The Port and Metro Cruise Services LLC wish to extend the current term of the Management Agreement by two additional years; increase fees due to the Port by Metro Cruise Services LLC; detail responsibilities for maintenance of new security equipment; specify operational responsibilities and costs at alternate cruise facilities, such as Pier 27 and Piers 30/32; and clarify other respective rights and responsibilities of the parties, as outlined in the staff memorandum accompanying this resolution; and

WHEREAS, Pursuant to requirements of the California Environmental Quality Act (CEQA), these defined operational provisions and responsibilities are covered a General Rule Exclusion for projects that do not involve a change or intensification of use; now therefore be it

RESOLVED, The San Francisco Port Commission approves hereby authorizes and directs the Executive Director to execute the proposed First Amendment to Nonexclusive Management Agreement #13652 between the Port and Metro Cruise Services LLC dated January 1, 2007, as described and upon those terms referenced in the staff memorandum for Agenda Item 11A for the Port Commission meeting of February 13, 2007, and in such form as shall be approved by the City Attorney's office; and be it further

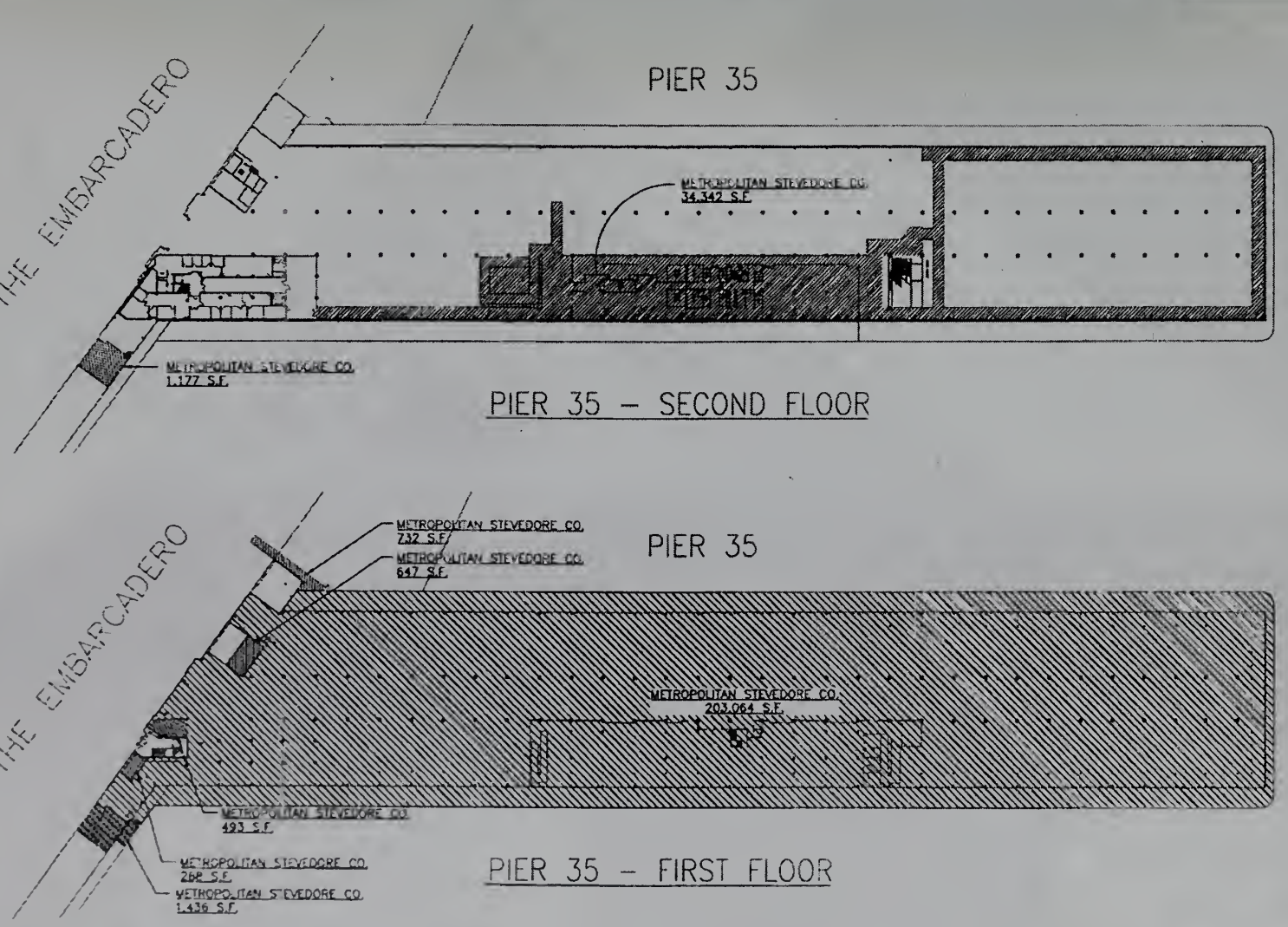
RESOLVED, That the San Francisco Port Commission also authorizes the Executive Director to execute further additions, amendments or modifications to the proposed First Amendment to Nonexclusive Management Agreement #13652, which do not materially alter the rights or obligations of the parties or compensation due, as determined by the Executive Director in consultation with the City Attorney's office.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 13, 2007.

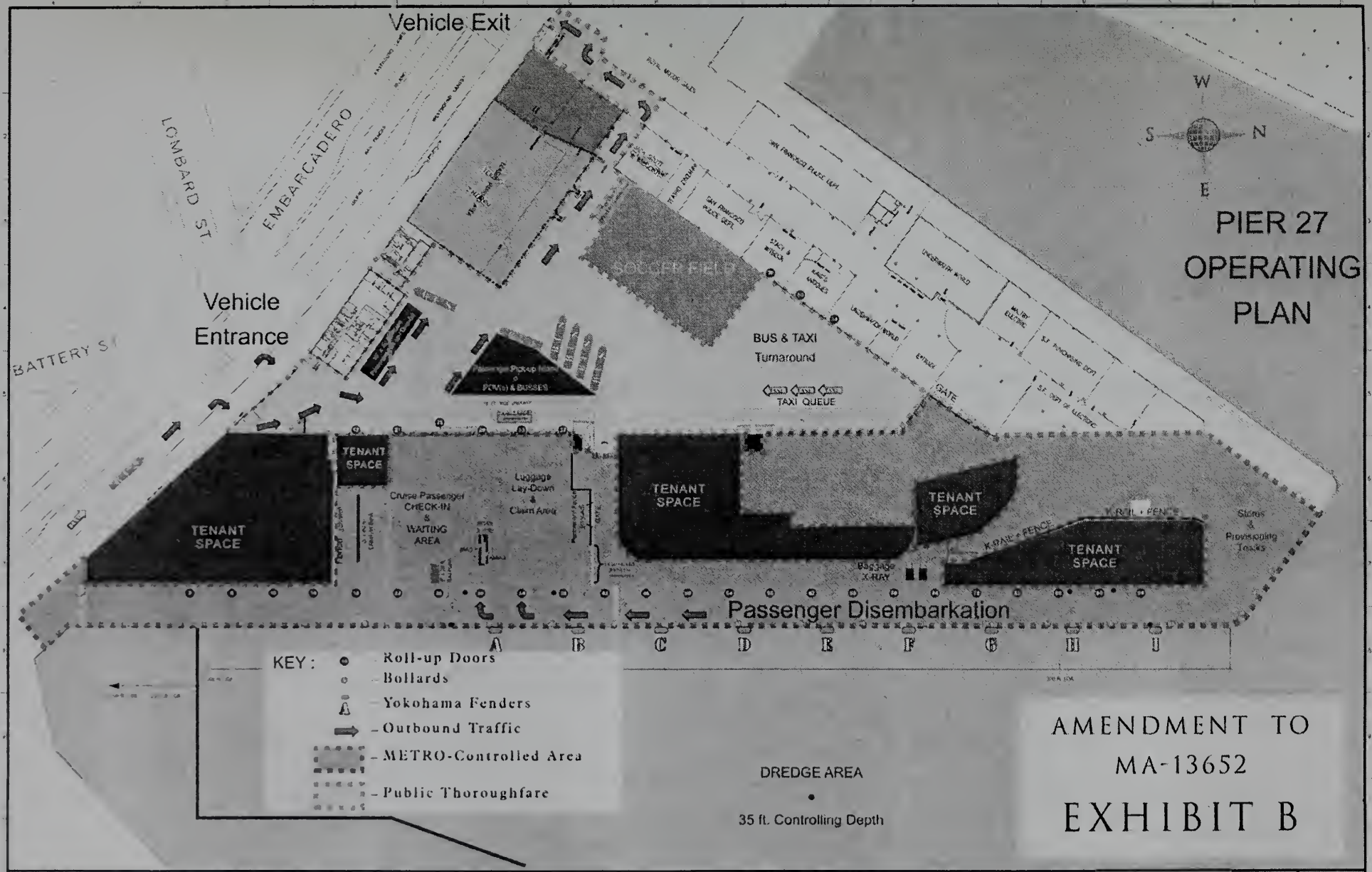
Secretary

EXHIBIT A

AMENDMENT TO MA-13652



LEASE NO. MA-13652	SAN FRANCISCO PORT COMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT: METRO CRUISE SERVICES, LLC	DRAWN BY: S. CHU, AN CHECKED BY PLACE CODE NO. 1350-0-0000 DATE: 15 JUN 2006 SCALE: 1" = 100' SHEET NO. 1 OF : SHEETS



AMENDMENT TO
MA-13652

EXHIBIT B

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

MANAGEMENT AGREEMENT No. 13652

TENANT: METRO CRUISE SERVICES LLC
(A Nautilus Enterprise)

Pier Layout Plan for Cruise Vessel Calls

AMENDMENT TO
MA-13652

EXHIBIT C

SAN FRANCISCO
PORT COMMISSION

FEBRUARY 13, 2007
MINUTES OF THE MEETING

DOCUMENTS DEPT.

FEB 23 2007

SAN FRANCISCO
PUBLIC LIBRARY

MEMBERS, PORT COMMISSION

HON. ANN LAZARUS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. RODNEY FONG
HON. MICHAEL HARDEMAN

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
FEBRUARY 13, 2007

1. CALL TO ORDER / ROLL CALL

2. ANNOUNCEMENT OF PROHIBITION OF SOUND PRODUCING DEVICES DURING THE MEETING

Commissioner Lazarus announced that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

3. APPROVAL OF MINUTES - January 9, 2007

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; the minutes of the January 9, 2007 meeting were adopted.

4. PUBLIC COMMENT ON EXECUTIVE SESSION

5. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

At 2:05 p.m., the Port Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTERS.

a. Discuss existing litigation matters pursuant to Sections (a) and & (d) of California Government Code Section 54956.9 and San Francisco Administrative Code section 67.10(d) (2 cases):

- The People of the State of New York v. American International Group, Inc., et al., (index No. 401720/2005); In re Insurance Brokerage Antitrust Litigation (MDL No. 1663), In re Insurance Brokerage Antitrust Litigation (U.S. District Court, New Jersey, Civ No. 04-5184 (FSH)) and In re Employee Benefit

Insurance Brokerage Antitrust Litigation (U.S. District Court, New Jersey, Civ No. 05-1079 (FSH)

Consideration and approval of settlement of existing litigation alleging, among other things, fraudulent insurance practices in the form of "bid-rigging" and improper use of contingent commissions in the insurance brokerage market for excess casualty and workers compensation insurance. Proposed settlement of litigation upon terms which include defendant insurer AIG's implementation of specified business reforms and payment of $17,710.42 to Port based upon $174,750 in premiums, with a contingency for residual rata payments, in exchange for the Port's dismissal of all claims related to the litigation. Details of the settlement terms are available on the internet at: http://home.aig.com/creative/excesscasualty/

- In re: Mirant Corporation, et al. (debtors) (U.S. Bankruptcy Court for the Northern District of Texas, Forth Worth Division, Chapter 11 Case, Case No. 03-46590 (DML) 11)

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: Pier 70
Person Negotiating: Port: Peter Dailey, Deputy Director, Maritime
*BAE Systems: Ira Maybaum

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

6. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Port Commission reconvened in open session.

ACTION: Commissioner Hardeman moved approval to adjourn executive session and reconvene in open session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon made a motion to approve the proposed settlement of the litigation entitled The People of the State of New York v. American International Group, Inc. and related cases, on those terms described in Agenda Item 5A(1) and as discussed in Executive Session; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any other information discussed in executive session; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

Commissioner Lazarus announced that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

7. EXECUTIVE

A. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Report on first meeting of the Cruise Terminal Advisory Panel – The committee met on January 25, 2007. Frankie Lee is the chair of the committee and ran a very professional meeting. In addition to Mr. Lee the members of the committee are as follows: Steve Falk of the San Francisco Chamber of Commerce, William Adams of International Longshore Warehouse Union, Joe D'Allesandro of the San Francisco Convention and Visitors Bureau, Bruce Krumrine, Director of Operations for Princes Cruises, Stefano Pinna from Metro, our stevedore of the passenger terminal at Pier 35, Ben Rosenfield, the City's Director of Administrative Services and the keeper of all things GO bond related, Michael Sweet from the South Beach CAC, Ellen Johnck from the Bay Coalition and Redmond Kernan representing the general public and also a member of SPUR. Ellen and Redmond were not able to participate but everybody else was there as was Commissioner Lazarus. The meeting was not well attended by the public. Staff is working on meeting time that can be convenient for panelists and constituents. The panel talked at length on a general overview of the cruise industry. Bruce Krumrine and Stefano Pinna were invaluable in helping them in the room. The views they offered were very illuminating. They talked about the cruise terminal clientele, the passengers and their experience. They talked about the Port's position on the Pacific Rim and the anticipation that the demand from China and India will continue to grow. The passenger cruise industry certainly has a bright future. The next meeting will be March 8, 2007 at 9 a.m. in the Bayside Conference Room in Pier 1. We hope at that meeting to set a regular meeting time every month with the panelists. Staff is going to propose to meet the second Thursday of the month and hope to be able to work their schedule so we can meet later in the day so that more people can attend the meetings. We encourage all to come and they've asked them to do a quick post mortem on why the entitlements at Pier 30-32 do not work and a lot of follow up on other aspects that we will be getting back to them. It should be an interesting meeting.

- Report on first meeting of the Seawall Lot 337 Committee – The first meeting of the SWL committee, affectionately known as Lot a for the AT&T ballpark, was held on January 31, 2007. It was an afternoon meeting and it was extremely well attended by the Port's constituents. There was a great community representation. Thanks to Commissioner Brandon we finally had a dialog going between the Commissioners as a subcommittee and the public. It was a fantastic meeting. We did a comprehensive review of land use and historic, public trust considerations and recent developments. She complimented Port staff, particularly Diane Oshima, who did basically a white paper for all intents and purposes. The next meeting is scheduled for February 8, 2007 from 4 to 6:30 p.m. in the Bayside Conference Room at Pier 1. We are looking forward to a great turnout, a great dialog and a productive work schedule.

- 4th Annual Crab Festival – The festival was held on February 2, 2007 at the Argonaut Hotel. This year, the festival was done differently because they used the opportunity not to just celebrate the annual crab harvest but also to honor Chris Martin of the Cannery for his dedication to Fisherman's Wharf. It was a great event. A number of Port staff was also in attendance as well as Commissioner Fong who was one of many who honored and roasted Mr. Martin.

 Commissioner Fong added that it was a very nice event and he hopes that more people from the waterfront community can attend the event.

- Visit by Queen Mary 2 – The Queen Mary 2 called at the Port of San Francisco, also known as the San Francisco waterfront on February 4 and 5, 2007. It was an event that is unparalleled, at least in her lifetime of living in the bay area. It's hard to imagine that in the space of 24 hours in 2005 with John Davey's unresearched guarantee that this could work, we made a quick decision that the Queen Mary 2 would not only come to San Francisco but it would not call in the Bayview. It would actually call on the northern waterfront because we only had two facilities that were big enough. In the year and a half since the Port staff have worked incredibly hard to make that happen, we've been able to use Pier 27 as an overflow cruise terminal. Several of the Port staff need to be acknowledged, starting with the Maritime division, she thanked: Peter Dailey, Mike Nerney, John Davey, Denise Turner, Gerry Roybal, Louise Anderson, Nick LaRocco, Adriana Forney and Jay Ach; from Engineering: Uday Prasad, Stan Chu, John Mundy; Real Estate: Rich Rovetti; Maintenance: Tom Carter, Tom Meisenbach, Sue Grenci and all of the Laborers, Plumbers, Electricians, Operating Engineers, Truck Drivers, Asphalt Workers, and Iron Workers; from Security: Sidonie Sansom, San Francisco Police Department, U.S. Coast Guard, Alameda County Sheriff, U.S. Customs Border Protection Control and the Department of Parking and Traffic. The Parking Control Officers had a rough 24 hours and they were probably the only people in the entire city who were not enamored with the visit. From Metro Cruises: Stefano Pinna, Lorenzo Looper probably had 30 minutes of sleep in the 24 hour period as did Marty Miles. We are indebted to them and all of the ILWU workers and the bar pilots. She thanked all of the Port staff who worked tirelessly at what was a big gamble and we got it done. It made not just the Port but the City proud. She received many emails from the Captain of the Queen Mary 2 who in one of his emails pledged that he'll be back in 2 years. She thinks he has no authority whatsoever to commit the ship to be in San Francisco in two years but she kept his email just in case. Dean Brown, the executive vice president of Cunard Lines, and Bruce Krumrine, the director of operations, were also in town during the Queen's visit. Dean called immediately the following day upon his return to the Santa Clarita area to say that they just could not believe the welcome the ship received. They've had a welcome like this when they launched the ship and a welcome similar to this when they brought the Queen Mary 2 together with the Queen Mary 1 but they were not anticipating the ecstasy that went with this event in the waterfront. It showed the City really well, weather was everything. It renewed their commitment and their belief that San Francisco is a viable market for their product. We were very happy about that. She shared a story from Peter Dailey that as the ship was pulling out of berth, close to 9 p.m. on Monday night, the ship sounded its horn as they are required to do and around the waterfront a roar of

applause went back up including the ILWU. It was a very poignant moment. Lastly, she was told that Mary Curry at the Bridge district was standing dead center on Sunday on a cell phone trying to reach somebody so they would turn the ship. Apparently from that vantage point, it was equally scary. Again, she thanked all Port staff for all their hard work.

- Status of Herring Season – The herring season opened January 2 and will run through March 15, 2007. The quota set by Fish and Game is 4,500 tons; to date only 300 tons have been landed. The buyers are paying $400 per ton which is not covering their costs. There were only 12 boats from out of town that berthed at Hyde Street for the herring season. The fishermen from Washington State need to land 40 tons a piece just to cover their cost of being here. It's been a very disappointing herring season as was last year. We join the fishermen in hoping for a better season next year. It's been a rough year for them.

- Update of Rincon Park Restaurant Project: Byron Rhett, Deputy Director of Planning and Development, provided the Commission an update of an open design issue related to the Rincon Park restaurant. The developer, JMA, started construction on two restaurants on Rincon Park late last year. The construction is moving ahead. There was a design issue that was discussed at both BCDC's Design Review Board (DRB) and the Port's Waterfront Design Advisory Committee (WDAC) related to the passenger loading, freight loading in front of the building along the Embarcadero. It was proposed that there be 150-foot long loading area on the Embarcadero. Right now, there are 19 metered spaces along the frontage of Rincon Park. It was proposed that 7 of those spaces be removed. The issue related that was open was not there would be loading but how that would be accommodated. Whether it would be a white zone in front of the building using the existing sidewalk or whether there will be a cutout along the sidewalks so that the existing third lane would not be impacted. Currently, during rush hour, that lane is open to traffic from 7 a.m. to 9 a.m. and again from 5 p.m. to 7 p.m. This open issue was how to address that. JMA hired a consultant to study the impact on the traffic to determine which way would work best. The DRB proposed to eliminate the third lane and not do the cutout because they were concerned about narrowing the sidewalk along the Embarcadero. That was studied and the result of the study was that lane was not really required during rush hour. Instead of the cutout, that lane could actually be used for parking 24 hours a day and not have the lane set aside for rush hour parking. Therefore, during the restaurant hours, that lane could be used for passenger loading. The cutout on the sidewalk along with narrowing the sidewalk had an impact on utilities under the sidewalk. Those issues had to be addressed. The consultant made their presentation to both Department of Parking and Traffic (DPT) and the City's advisory group, ISCOTT. They both agreed with the recommendation that the third lane be eliminated for rush hour traffic. DPT held a public hearing early this year to give the public an opportunity to hear that recommendation. Port staff supports and agrees with the recommendation that is being made by JMA that was supported by ISCOTT and DPT. That lane would be eliminated and it would no longer be available for rush hour. It would be painted white for 150 feet, which is 7 parking spaces. We lose the 7 parking spaces and the revenue from that but that revenue would be replaced by the fact that we now can make the balance, the other remaining 12 spaces available for an additional 4 hours a day. Using the average revenue that

we get from those meters, the Port would generate a bit more revenue under this new scenario than the way it is currently operated. This has been discussed with the South Beach Citizen's Advisory Committee. We haven't heard from the community that this is a concern. That hearing was held by DPT earlier this year and Port staff supports DPT's recommendation.

Ms. Moyer thanked Renee Dunn and her incredible work with all the press throughout the days and the weekends leading up to and including the day of Queen Mary's arrival. She's sure she's left off others and offered her apologies in advance.

- Completion of work at Fishermen's and Seamen's Memorial Chapel – As you may recall, the Port maintenance began work in October 2005 primarily on the substructure repairs of the area around the chapel which also included stringers and the deck. A lot of work was performed below deck during low tide on work floats. On February 16, 2007, we will be done with our work. The chapel has been opened since Christmas 2005. We only had to close it for a little while. As you probably know under the leadership of Al Baccari, they have been able to raise funds and had Nibbi Brothers install a Campanile. Mr. Baccari would like to hold a celebration on March 30, 2007 at 12 noon at the chapel and invite everybody to attend.

- AMGEN Tour of California is an 8-day bike race in California. It kicks off in San Francisco on February 18, 2007. There will be 18 teams from around the world participating in the race. The race will starts at 1 p.m. It is anticipated to end at 3:45 p.m. It will affect a lot of streets in terms of making room for all the racers. The southbound Embarcadero will be close from Broadway to Mission Streets for most of Saturday in order to facilitate the race.

- The City and the SF Giants will be holding an evacuation drill on February 24, 2007. The concept of the exercise is to see how they can evacuate AT&T Park in the event of an emergency. This is in part stimulated by the fact that the All Star Game will be held at AT&T Park this summer. They are looking for volunteers to play dead or injured bodies. People can go to their website and sign up.

- Commendation for Architectural Associate Belarmino (Bernie) Andia, Engineering - Ed Byrne, Chief Harbor Engineer, asked the Commission to join him in thanking Bernie Andia, Port Associate Architect II, who worked at the Port for seven years. He has been responsible for a number of facilities along the waterfront. Bernie has a total of 16 years of experience with the City and County of San Francisco including the seven with the Port. He's been responsible for projects such as the Fisherman's Wharf Chapel, the Pier 35 cruise terminal security project, the Pier 43 Arch Restoration, the interpretive signage at Fisherman's Wharf, the Pier 14 guardrail and many others. Mr. Byrne thanked Bernie for his service. Mr. Andia thanked everyone who helped him develop all the projects he worked on especially Dan Hodapp, Mike Nerney, John Davey and Denise Turner. He thanked the Port Commission for the commendation and he will treasure it. Every time he looks at it he will always remember his achievements on the waterfront. Mr. Byrne indicated that all of Bernie's projects seemed to be on the top side where they are all visible and the

public can enjoy them such as the guardrails and the interpretive signage. They will miss Bernie. Ms. Moyer thanked Bernie for all his work.

- Commendation for Jill Simpson-Rodby, Maritime. Ms. Moyer indicated that after many hard years of working at the Port through a lot of changes, Jill Simpson-Rodby has accepted a position that will allow her to visit London on a regular basis and give her some new products to arm wrestle to the paying public. She will miss Jill. She has been the face of cargo for ten years. It's hard to imagine that she won't be here. Everywhere she goes, she always get asked if Jill is still at the Port. She's planning to say yes in the near future because no one seems to feel the need to have to physically see her. It's just comforting that she's here.

 Commissioner Lazarus read the proclamation for Jill Simpson-Rodby.

 WHEREAS, Jill Simpson Rodby joined the Port of San Francisco in 1992 as its Maritime Cargo Marketing Manager; and

 WHEREAS, Jill Simpson Rodby is a daughter of the waterfront, continuing her career at the Port of San Francisco following seventeen years of marketing and business development for numerous shipping lines; and

 WHEREAS, Never has the Port of San Francisco been served by a more passionate, relentless promoter, fiercely protective of the lands, facilities and support required to maintain the integrity of cargo shipping in a compact, densely developed urban center like San Francisco; and

 WHEREAS, Jill Simpson Rodby's tenure at the Port of San Francisco has stretched over a period which tested the cargo shipping industry like no other, during the Port's dark days in the mid 1990's, when the Port lost its container lines to larger ports and cargo shipping had all but left the Port of San Francisco, when Home Depot was sizing up Pier 80 D, when the real estate market gave rise to the conversion of industrial lands to lofts and offices, eroding the industrial base that is essential to cargo shipping operations; and

 WHEREAS, Jill Simpson Rodby kept the flame lit, saying, "Keep the faith, it'll take time but we'll be OK" and then set to work, developing new marketing ideas and angles, waving the Port of San Francisco flag from Vancouver to Santiago, from New York to Oslo; and

 WHEREAS, That spirit and tenacity was instrumental in attracting and capturing new break bulk and bulk cargo contracts, growing the Port of San Francisco's diversity of cargo services, requiring sensitive negotiations with stevedores, walking bosses, truckers, freight rail operators, ships captains and longshoreman, which positioned the Port of San Francisco perfectly to participate in the growth of the construction materials industry, a brand new market for the waterfront, and now the return of automobile imports through Pier 80; and

 WHEREAS, Jill Simpson Rodby is not one to suffer fools or politicians (except Bill Clinton) and, because of her dogged determination and command of maritime cargo

operations, gave prospective customers confidence that she would get them through the maze of documents, regulatory requirements and political headwaters; and

WHEREAS, Although so prolific in developing new business, Jill Simpson Rodby did so with great sensitivity to keep existing tenants and customers satisfied with the services offered by the Port of San Francisco, thus generating millions of dollars of revenue for the Port and family-wage jobs for scores of Bay Area residents; and

WHEREAS, Jill Simpson Rodby's boundless energy has not been restricted to the docks, as she equally dedicated herself as the Founder and President of Women in Transportation; organized numerous trade functions, diplomatic events, and a Sister-City Port Conference; and the production, release and marketing of several independent film documentaries, including "Shipping Out, The Story of America's Seafaring Women," all while she also attended San Francisco State University at night, completing her Bachelor of Science degree in Business Administration and Marketing in the Spring of 2006; and

WHEREAS, While throughout her career, Jill Simpson Rodby has worked in a traditionally man's world as one of the guys, she has never lost sight of her femininity, a sense of humor and the beautiful things in life, a lover of brightly colored art, a good laugh, lemon drops, martinis, pisco sours (shall we go on?); and

WHEREAS, It should come as no surprise --and yet it's as if the wind has been knocked out of us—that her talents have attracted the attention of others, and that Jill Simpson Rodby has accepted a new position as marketing director for a company which offers her broad new horizons and opportunities for even greater successes; and

THEREFORE BE IT RESOLVED, With great respect, awe and sadness, on behalf of all her colleagues at the Port of San Francisco, and tenant, community and business partners and associates, the Port Commission expresses its heartfelt gratitude and appreciation to Jill Simpson Rodby for her undying loyalty, dedication and hard work in service of San Francisco's cargo shipping industry, and the Port and City and County of San Francisco at large.

Peter Dailey, Deputy Director of Maritime, indicated that he worked with Jill for 14 years. The resolution hit the nail in the head in that in the darkest hour, when times were tough, when we were all shaking our heads, what are we going to do next, she would literally say, "It always works out; it will work out this time. Let's look at the numbers and figure out a way to make it happen." He will miss her personality, miss the meetings with Louise and Jill trying to figure out new deals with shipping customers. He will miss the martinis and lemon drops. Mainly, he will miss her integrity and her love for the City. It's going to be hard to replicate her. He wished her smooth sailing and he's sure that she will do great. London is not going to know what hit them.

Pete Grossgart, Marine Terminals Corporation, indicated that he worked with Jill for ten years. During those ten years, there were enumerable road trips, many miles in his

car because Jill was not allowed to drive. She really and truly has been the face of Pier 80 for a number of years. While they didn't always see eye to eye, she always knew that she had the best interest of Pier 80 and the Port of San Francisco at heart. He personally will miss her.

Brad Benson indicated that he and Jill first butt heads at the Port over oranges. They've continued to argue about the difficult issues facing the Port, land use conflicts between being a City and trying to be a great Port. Her passion that she brings to her work is fantastic and he applauds it.

Louise Anderson announced the party being held in Jill's honor on February 22, 2007 at 5:30 p.m. at Sinbad's Restaurant. She will personally miss Jill a lot. She considers her a personal friend and loved working with her. She's not quite sure where we go from here.

Walter Caplan indicated that it was interesting to hear her proclamation because it's fascinating and there is a lot of very interesting information that the City and the public should know. He worked for the Board of Supervisors in the late 1970s right after district elections came into being. Harvey Milk, Carol Ruth Silver, Ella Hill Hutch and Gordon Lau pushed to keep this a viable working port. There were dark days then and he's sure in the ensuing decades there have been many dark days. It sounds like Jill was a magician. Beyond doing her work, she kept everybody's spirits up. The Harveys, the Ella Hill Hutches and the Gordon Laus would be proud to know that she did those things that are important to the working people. Those early district election supervisors were trying to keep in the city. They believed in the Port. He believes in the Port and everybody here believes in the Port. It's a loss to the City and the Port for her to go but what she has done sounds to be incredible and the words should be spread by Renee and everyone else because it's a secret that needs to be known. The Port is alive and well. He congratulated Jill.

Jill Simpson Rodby commented that she's leaving with mixed emotions. She is looking forward to a new challenge in her life but she is very sad about leaving her family. The staff here is so wonderful and so dedicated. While they don't always agree, they are very loyal to the 7½ miles of waterfront. She thanked and expressed her love to everyone and her buddies at MTC. She's going to miss working with them. She also thanked the Commission for their support and the cargo industry over the years. She apologized to Commissioner Fong as she has not had a chance to work with him but she's sure that he will continue to support the cargo industry and pisco sours and Vancouver trips. Since this is her last official appearance before the Port Commission, she took the opportunity to share her vision on cargo. At Pier 80, they are close to finishing a deal with the auto carriers and half of it will be breakbulk. She envisions that being very successful. She envisions the auto industry imports growing and she envisions the breakbulk side of it growing. As we get the cargo, the rail on dock later this year, it's going to open up more opportunities for the breakbulk inland as we move forward. She hopes that the Port gets some funding for the tunnels. It will also increase the auto imports as we notch the tunnels to go forward. Having said that, as far as cargo goes, we are now limited to the southern waterfront. There are a few pieces of land left. One is Pier 96 which currently has interim uses and what was the Pacific Cement site, as well as the backlands. Those are the only three areas that the

Port can sustain cargo in the future. Her vision, she personally believes, is that those three areas will be necessary to support the cargo industry in the future. What the Port decides to do with those lands, she realizes that it's a philosophical decision. She asked the Commission to remember that these industries need the water. Without the water, they can't survive. The Port can produce some profitable maritime business in those areas. She asked the Commission to keep an open mind to that. This is the last time she will advocate for cargo but she thinks that the Port has a bright future.

Commissioner Hardeman indicated that he's never dealt with Bernie Andia before but congratulated him on his retirement. Every time he has a question or needs to get educated on cargo, Jill was always refreshing, happy, bubbly, smiley and good natured. That was all because she loved her job so much. He hopes that she will carry this on to her new career. He thanked her for being around the Port and enjoyed all her help and education.

8. CONSENT

A. Request approval of resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with San Francisco Public Utilities Commission (SFPUC) regarding implementation and funding of Port Energy Efficiency Projects. (Resolution No. 07-07)

B. Request approval of Special Event Fee Reduction for the Small Boat Commercial Salmon Fishermen's Association's annual Commercial Fishing Swap Meet and Gear Sale on March 3, 2007 at Pier 45, Shed A. (Resolution No. 07-08)

C. Request approval of Special Event Fee Reduction for the Classic Car Show at Pier 45, Shed A, from February 15 to February 19, 2007. (Resolution No. 07-09)

Walter Caplan thanked the Port Commission and staff for the work that they've done to help make the annual classic car show a success. Right after 9/11, the Fisherman's Wharf Merchants, through Tom Escher came to the Model A Club and encouraged them to have a car show as part of the Crab Festival to bring people back to San Francisco and specifically to Fisherman's Wharf. They've been doing it now for five years. As a result, they are finding that people throughout California who have left the City to raise their children have now done that and are in the cars they were in as kids or that their grandparents were in are coming back for a whole weekend full of events. After five years, they've turned it into a spectacular car show that is on the radar of car enthusiasts. People are coming to San Francisco and staying at the hotels at the wharf - Argonaut, the Tuscanian, the Holiday Inn Express, the Hilton, etc. He thanked Phil Williamson for working with them the first four years. They learned that they should be doing their events on Port property. They have cocktail parties, dinners, banquets and events at great establishments. They've developed great relationships and brought people back to San Francisco. On Friday at noon, there will be about 80 cars assembled in front of City Hall. The Mayor will come out and say hello to every occupant of every car. The motorcycle officers will escort all the cars through downtown to the financial district, North Beach and back to the pier. They will raise money this year for the charity of the motorcycle officers - the Special Olympics athletes. This year, they

worked with Susan Reynolds, Katharine Arrow, Claudia Davison and they are tough. They are just a volunteer non-profit and they extract a lot from them. They want them to extract less next year and may be they can develop a better policy on that as a non-profit. He thanked everyone and encouraged everybody to come down to Fisherman's Wharf this weekend. People throughout the state are coming back to San Francisco and looking forward to spending time in Fisherman's Wharf and the greater area and enjoying all the wonderful things that we all know and love about San Francisco.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution Nos. 07-07, 07-08 and 07-09 were adopted.

9. FINANCE & ADMINISTRATION

A. Informational Presentation on the Port's Operating Budget for Fiscal Year 2007-08.

Tina Olson, Deputy Director of Finance and Administration, indicated that the operating budget, capital budget and capital plan are being presented today as an informational item to get an input from the Commission as well as the public. At the next Commission meeting, staff will seek Commission's approval. The Port's revenues have increased by $3.3 million. $1.7 is commercial and industrial rents. There are two new leases - one is with the Department of Real Estate and the other is with the Public Utilities Commission. The City is part of the reason why our revenues have increased this year. We also have $631,000 in parking revenues. They continue to increase substantially every year. Those are primarily from the China Basin, the ballpark parking. Interest rates have continued to increase. We are projecting a little over $600,000 in additional interest-related revenues. Those are offset by decreases in cruise-related revenues of $275,000. Our operating expenses have increased by about the same amount $3.3 million. Of that, $2.1 million is salaries and fringe benefits. Health benefits are increasing by 10 percent next year and retirement pension by 10 percent. We are also annualizing the salary increases that Mayor Newsom and the Board of Supervisors approved in the labor negotiations of 7.5% this year. The increase is 2% one month and another 3% and they annualize it the next year. Other increases in our budget include professional services. It has a lot to do with engineering studies and economic and planning studies. We also have increases of $667,000 in facility maintenance and annual projects. Those are also engineering services, design related services as opposed to planning as well as the Oracle/FAMIS upgrade. We are expecting to complete the Oracle/FAMIS project next year. We have $773,000 to replace equipment audit at Pier 50. When we looked at our rolling stock at Pier 50, we saw that we had quite a bit of old trucks that needed to get replaced. We are replacing 13 of them and we are buying one new forklift, two generators, one sidewalk scrubber and a new 24-foot survey boat for the engineering division. This is being offset by a decrease in COWCAP of about $1.2 million. That's primarily from a recalculation from two cost elements in COWCAP. One is related to the Purchaser's office. The Controller's office has changed the calculation methodology. The Port is not getting allocation nearly as much as we have in the past as well as cost associated with the City's Attorney's office.

On the staffing changes, we have two new positions in the budget. One is an Associate Electrical Engineer. There is a tremendous workload of utility-related projects. We have more money in the capital budget this coming year for utility related projects. This is for an engineer to help implement those projects. We also have a new manager 1 position to support Sidonie Sansom for the Homeland Security and Emergency Preparedness for the Port. She works a tremendous amount of time overseeing all of the security grants, the security projects, attending all of the City meetings, the meetings with the Coast Guard, with everybody whose into Port security and homeland security in general. In addition to managing the security on the ground here at the Port, she oversees the security contract for the security officers and coordinates all of the issues around security that is more localized as opposed to the bigger picture. This position will assist her with that. Monique is concern that Ms. Sansom might burn out soon. We are proposing to transfer an IS Administrator position from the capital budget to the operating budget.

We have two accounting systems and literally two entries. The Oracle System is from 1993 and FAMIS is the City's accounting system. The Port is completing a comprehensive computer system upgrade. In the process of researching, designing and implementing this new infrastructure, Port systems and network staff increased their skills and experience base significantly. The new infrastructure is far more complex and state-of-the-art, and requires the broader and deeper skill set of IS Senior and Journey level Engineers. The proposed position upgrades will provide the level of expertise required to maintain the new upgraded systems.

The Real Estate Division has had an 1824 Principal Analyst to manage the Division's administrative functions including tenant billings, overseeing the Division's lease management computer application, and supervising clerical and other administrative staff. This position has also provided analytical support to the Division such as analyzing lease opportunities to determine optimal uses for the facility, evaluating potential tenants' ability to pay rent, projecting lease revenues, developing collection policies, developing Port asset strategic plans, etc. Since the day-to-day administration of the Real Estate Division tends to consume the 1824 Principal Analyst's time, the analytical projects would often fall to a lower priority and not get done. To better manage the two areas of responsibility, we are proposing to reclassify a vacant 1842 Management Assistant position to an 1827Administrative Services Manager position and have the new position manage all of the administrative responsibilities of the Real Estate Division and allow the 1824 Principal Analyst position to focus on analytical projects for the Real Estate Division.

Ms. Olson indicated that 61% of the budget increases are one-time cost. We are trying to keep down as much as possible the ongoing operating cost. Our revenues can fluctuate quite a bit with the economy. We'd rather have less that we have to do when it downturns as opposed to have to lay off staff and make other drastic decisions. We can decide not to do projects that we are doing now. This year, we are putting more of the emphasis into planning and engineering studies and projects. Last year, we did more capital projects but they are still one-time projects that fulfill the goals.

Commissioner Fong asked for a definition of the Citywide overhead. Ms. Olson replied that it is the services that you might think of as City Hall services that are really hard to define and put into a work order and would reimburse them for cost incurred. The easiest example she can think of is the Mayor's budget office. She talks to them once a month. She wouldn't be paying for a full position in the Mayor's office but clearly they incur cost to help the Port function as an organization. The Controller's office, their accountants, process journal entries, they are not full time on the Port so we have to reimburse them. It's the generic City administrative cost that we don't pay directly through a work order but clearly the Port benefits from and should pay our share of those costs.

Commissioner Brandon commented that it is wonderful that the City is now looking at the Port to help with our revenues. She asked about the two new commercial/industrial leases. Ms. Olson replied that Port staff negotiated an MOU with the Department of Elections to lease space at Pier 48 to store new voting equipment they are purchasing. It has not come to the Port Commission yet. Ms. Moyer added that they are using Shed A, all of Shed B, and some of Shed C. It's an interim lease according to our interim leasing guidelines. It's a set parameter rent which is $.92 cents. Since she joined the Port, rather than as we did with Specialty Crushing leasing directly to a vendor who is fulfilling a mission of another City department, we found it advantageous to enter an MOU with the City department and it's their obligation if the vendor does not perform. We simply offer the space at market rate. We've had a lot of interest over the years in Pier 48. The nice thing about this is it didn't require any build out. It's truly an interim lease while the Seawall Lot 337 planning process moves forward. Ms. Moyer indicated that she does not know much about the PUC lease but staff will get back to the Commission on that issue.

Commissioner Brandon noticed that Kirk Bennett is on the payroll for 2007-08; she wondered if he's coming back. Mr. Moyer replied that the position is still on the payroll and we are in the process of filling it.

Commissioner Lazarus asked why the trucks in the maintenance budget are not capital items. Ms. Olson indicated that it is recognized as an asset. In our financial statement, our assets will include the equipment but for budgeting purposes, it's considered an operating expense because they expect us to purchase it in the current year. When we set up an account structure in the City, we have a continuing project which means the appropriation stays open until we complete the project. In an annual operating budget, we close the books at the end of the year. Whatever we didn't spend, it goes back to the fund balance. We are expected to purchase those trucks in the year when you said you are going to purchase them but it gets calculated as an asset.

Commissioner Lazarus asked with regards to Sidonie Sansom, she asked if there is any federal grant money associated with her position and might there be an additional position. Ms. Olson replied that if there is, Sidonie Sansom will definitely go after it. Ms. Moyer added that typically they don't fund operating costs and personnel is considered to be an operating cost. The UASI and the Port security money have mandated that they be one-time capital expense. For example, they won't fund the oversight of cameras to watch the video feed. We were able to get some initial funding when Sidonie joined the Port but we haven't been able to get any ongoing funding. With respect to the security aspects, we

are learning as we go forward. One person for 20 million square feet is not sufficient. We've had help from Nick LaRocco in Maritime and Andres Acevedo from Finance but we need another security specialist. Commissioner Lazarus indicated that she's not questioning the position but she was curious if there were any federal monies. Ms. Moyer indicated that OES has a meeting every day, every minute so we need someone here and someone there to represent the Port.

In terms of putting the budget together, Commissioner Lazarus asked if staff starts by assembling or asking each department to submit an estimate. Ms. Olson replied yes. Commissioner Lazarus asked what that totaled up to versus what we ended up with. Ms. Olson replied that it's probably about another million or so more that we pared down. Typically, people don't come up with a grandiose list of what they want. That happens more in the capital side. The capital side is where we're spending a lot of time negotiating with all the divisions and figuring out what's really a high priority and what is not. The operating budget has not been painful in that regard.

Commissioner Lazarus asked if Ms. Olson would characterize this as a reasonably conservative budget. Ms. Olson replied that she would in a sense that we put a lot into one-time cost. She and Monique would feel more uncomfortable if we put all of the additional revenues into continuing operating costs that we had to sustain year after year. That generally what makes her worried but she likes to take care of one time things when we have the revenues so that when we don't have the revenues and wished that we've upgraded our computer system when it's failing and we don't have any money to or take care of some capital needs or buy the old trucks before they fall apart.

Commissioner Fong commented that he likes the conservative approach of trying to keep 15% of operating reserve. Ms. Olson replied that she likes the fact that we do a better job with that than the City.

Ms. Moyer indicated that from her perspective, it's a nice change from the past budgets but she does not feel that the revenues are as locked in and solid than as she'd like them to be. The new revenues are relatively short-term leases. One of the things that we really made sure was that any growth we were experiencing in revenues is going to one-time cost. She is comfortable that if we have to cut back next year, we can do it on the expense side rather than on the labor side. It would be nice to have a lot more personnel but we are not certain that we can afford it in the long run yet.

B. Informational Presentation on the Port's Proposed $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08.

Ms. Olson, Deputy Director of Finance and Administration, indicated that the Port's capital project budget is $7.7 million; $3 million of which goes to dredging. It's consistent with our 5-year dredging contract. We have a $1 million for roof replacements at Pier 33 and Pier 80 Shed A. We have a $1 million for apron repairs at Pier 9 and Pier 35. We have a $1 million for utility repairs and improvements including the fire system certifications at Piers 33, 17, 28, 30-32, 48 & 50. That was the electrical position that would help implement those. We have $1.7 million of a scattering of smaller projects such as our ADA accessibility project, rail track maintenance, Pier 33 and 35 curb cut projects, Pier 70 building 11 exterior maintenance, pile driver #1, drydock and repairs.

The proposed capital project includes funding for homeland security improvements throughout the Port including improved fencing, barricades, security cameras, communication improvements, and networking systems. We have matching funds for homeland security grants. Project funds would be available for either direct financing of improvements or for local matches to homeland security enhancement grants awarded to the Port. Port staff is currently in the process of applying for approximately $3 million in Homeland Security grants. Staff mostly argue over which facility deserves the repairs the most. It's not that we don't have tons of repairs but we try to figure out which ones make the most sense given the tenants and whether how active a facility is, our legal obligation, etc.

Commissioner Lazarus commented that answered her question about setting the priority. Commissioner Brandon commented that we wish we had more money.

Ms. Moyer commented that try as we might, we are not able to put capital money into something that would generate new revenues. It is our finding that we have to spend it to protect current revenues or to mitigate a risk. This is our fourth annual capital budget and every year, unfortunately, we've spent it to just maintain the status quo. It's hard to imagine that we'll ever get out of this hole without a substantial infusion of one-time capital money of some sort.

C. Informational Presentation on the Port's Annual Update of the Ten-Year Capital Plan.

Ms. Olson indicated that the Capital Plan assessed the Port's capital needs including a review of 39 pile-supported piers and 245 commercial/ industrial buildings and three miles of streets, sidewalks and utility infrastructure. We've completed the Pier 1½ 3, and 5 and Pier 14 and also the Illinois Street Bridge and the north approach projects within the past year. Last year, the Capital Plan was approximately $1.2 billion. A lot of the discussions with the capital planning committee is over construction escalation which is averaging 8-10% a year for the past 8 years. It explains when people keep saying, how it could possibly cost that much? Construction inflation has been amazing. The total of the added projects is $128.3 million. Projects removed $16.7 million and technical adjustments of almost $2 million. The total 10-year capital plan is now $1.4 billion. The distribution did not change from last year; just the total numbers. Still our highest need is in the southern waterfront. That is driven by Pier 70, about $380,000 million. These numbers do not reflect any kind of enhancements to our facilities or change of use. It only has to do with seismic upgrade, repair and replace any code trigger changes. For Pier 70 for example, it's not envisioning what Pier 70 and the cost to make that happen. It's what it would cost to repair the building or to replace the street structures. We don't want to have to think about what's going to happen when it's going to be in the planning process.

Commissioner Lazarus asked about what staff meant about Portwide capital needs. Ms. Olson replied that it's the streets. There are different types of assets such as the pile drivers which are portwide assets. They are not isolated to a region.

Ms. Olson indicated that northeast is where Piers 15-17 and 27-31 are located. Obviously, Pier 70 and the southern region are the areas we are attacking and that's where the needs are.

With regards to our funding plan, mostly, the tenant responsibility remains the same as last year's. If it's in their lease and they are responsible for the maintenance, we've assumed that for the capital plan. Operating budget is approximately $8 million a year for ten years. Port revenue bonds – staff has recommended some changes and will seek the Commission's thoughts on what staff is proposing because we changed the mixed of projects. The development projects are Piers 27-31 and Piers 15-17. They are the only two active development projects the Port currently has. For the Piers 27-31, we're talking about doing the infrastructure financing district (IFD) where we capture the possessory interest tax growth from that development project and issue debt against it. The $135 million is $60 million assumed for Piers 27-31. We've assumed $75 million for Pier 70 based on everything we've learned through the process of Piers 27-31 project that will help educate us and what we could realistically expect for Pier 70. We've also assumed that we could take care of Pier 70 with an IFD debt. We could do more than just the streets and the sewers and utilities, we could probably do a lot of the environmental clean-up. We might have some money to help turn one of the buildings into a public use building. There is some flexibility there. The total funded is almost $491 million but unfunded is almost $956 million. The capital plan is still greatly unfunded. As Monique Moyer indicated we don't have an opportunity with our capital budgets to figure out how we can use that investment to grow our revenues but we are proposing that with the revenue bonds, with the agricultural building, we assumed that if we could put $10.3 million in a revenue bond and join with a developer to do all the tenant improvements inside the building, we can actually grow our net revenues. Assuming that we did different mixes of leases and tenants, our net revenues will grow. Pier 24 ½ is currently red tagged. Putting investment into it for $7 million will actually bring in a tenant and we'll have an increase in net revenues. Last year, Pier 19 was the only one in this category. We haven't done any planning process in Pier 19, 23, 33 and 35. It could go to any of those piers depending on what comes out of the planning process and what would seem like the best investment of Port funds. It would seem a bit premature to say for sure, it's Pier 19 because it could be any of those piers depending on what happened. The Engineering division advocated strongly to include some funds for wharves and aprons. Some of the wharves in the Fisherman's Wharf area are supporting our tenants' buildings so we need to make some major repairs to them. It make sense to put them into the revenue bond because it's helping to sustain our revenue stream. We have tons of aprons throughout the Port that need to get replaced. We want to have a pot of money that was established for some of the smaller projects. We were also able to increase the revenues. We looked at again from the whole Piers 27-31 project, we revisited assumptions on reserve and how much we need to set aside for insurance cost. Between those two, we were able to get about $97.5 million.

Commissioner Lazarus asked if the infrastructure financing district would potentially be applicable to one of these if we got the right kind of project. Does that end up potentially as substitute for including something in the revenue bond? Ms. Olson replied that with the infrastructure financing district because we had to get concurrence from the Board of Supervisors and the Mayor, she feels confident that we had concurrence in Piers 27-31 and Pier 70. However, she does not feel confident because we haven't talked to them about the others. In the report, she indicated that we're not excluding the other piers in the infrastructure financing district but we don't have any projects in planning phases right now. She did not want to commit because this capital plan is going to be a part of the City's capital plan and it's adopted by the Board and the Mayor. She does not want to

force their hand to adopt something they hadn't heard about and would feel uncomfortable with. It could definitely be there and she started playing with these scenarios of assuming that we're going to do the IFD bonds for all of the remaining piers and how much those would be. She realized that she's weighing into some policy ground where we would really need to have some conversations with other people. In future updates, she envisions having more of the IFD bonds included.

Ms. Olson indicated that this was our presentation for yesterday's capital planning committee. In the past year, staff learned that our development model is broken. We've been relying on a private developer to fund 100% of the cost of our greater facilities and reuse it for something new. We've learned between the Piers 30-32 cruise terminal project and 27-31 that's not really feasible because the cost to do the substructure seismic work seems to be the main driver is making it such that the developer cannot make enough money to want to do the project. When you lay on top of it, all of the restrictions on what they can use a facility with, realistically we need to start approaching each project with the assumption that we're going to have a certain amount of public investment be it a Port revenue bond and infrastructure financing district or general obligation bonds for public open space projects to start bringing some public investment into the Port to leverage the private dollars.

Another lesson we learned is the keystone projects. The CORO Fellows researched what other local jurisdictions do to develop an industrial area into a new use. For Pier 70 in particular, the finding that stuck out for her was that there would be a keystone project which was a public open space that was publicly funded. It would be the first project in the overall industrial redevelopment. It was a signal to the development community in part that the City, the local jurisdiction, was very serious about transforming the area. They are the keystone projects.

Ms. Olson indicated that Dan Hodapp worked very hard to develop a series of open space park projects that we are proposing the City fund with GO bonds. One proposed for June 2008 and another one for November 2013 in the City's Capital Plan. We are hoping to get some, if not all, of the projects included in the GO bond which would be the first time the Port will participate in.

Dan Hodapp, Planning and Development, indicated that the Port needs strategic investments of public funds to leverage private funds. That's what the public open space system is about to an extent. Tina Olson was also describing keystone projects. Open space projects are often viewed as enhancement projects but they can play a larger role. Keystone projects mean projects that can spur other development such as the South Beach Park and the Marina. When they were developed, they were the only thing at South Beach. Now we see this great neighborhood, this amenity, a finished project. The ballpark is also located in the vicinity. It is an example of a keystone project. The open space project in this investment of public funds can also take care of some of the problems the Port has such as deteriorated facilities. Some of the projects are keystone projects. Some are fixing problems that we need to take care of. Some of them are enhancements that bring on more development and make the waterfront a more spectacular place. They presented this yesterday to the GO funding committee for possible inclusion in a GO bond. The Port adopted its first ever Land Use Plan ten years ago. As part of that, the Waterfront Design and Access Element which contains policies for the development of

open space, views, historic resources and criteria. The policies can be expressed in three words: continuity, sequence and variety. Continuity means the ability to walk, ride a bicycle or travel up and down the length of the waterfront. This brings the Port into conformance with other citywide and regional wide policies. Sequence means that at every 5 or 7 minute walking interval, there is a significant open space. Variety means that each one of these have their own unique character. When they developed this plan about ten years ago, they looked at what open spaces existed, what were in the pipeline about to come on line and where the missing teeth were. Since then they have moved forward in developing some of the missing teeth to bring the system together. This proposal works towards completing a lot of that. Fisherman's Wharf came out of the recently completed plan for the wharf that took about an 18-month process. Commissioner Brandon was on the Port committee who reviewed the project. It came out with a conclusion for a series of linked open spaces in the heart of the wharf. As they went through the process, they had a 600 person mailing list, about 140 active participants. It has gone through a public process. It developed a list of open spaces that would feature a new plaza in the center of the wharf. A new plaza throughout the wharf that respond to the program of uses that already exist in the area, the bay, the fishing industry and the commercial attractions. It would bring the promenade down to Pier 45. It would fix the seawall condition that runs along the Embarcadero. It takes care of some of the existing facility and it also looks at strengthening the revenue based that we have in the wharf and enhancing the overall pedestrian experience throughout the wharf. The cost is estimated at $9 million. In the northeast wharf, between Piers 23-27, there will be an open space that is mandated by the BCDC Special Area Plan. It is right on the Embarcadero, where the Queen Mary was. It would be compatible with that type of use in the future. The design of it is not quite as developed as it is for the Fisherman's Wharf project but the uses are anticipated to compliment the recreation center at Piers 27-31. The price tag is estimated at $5 million. There will also be some funding coming from the Piers 27-31 project. The Brannan Street Wharf project was tied to the cruise terminal legislatively and funding wise. It is in a development stage, developed by a 23-member citizens advisory committee. It sits in the heart of Fisherman's Wharf. It's a spectacular open space. It includes a public float and will benefit any cruise terminal development. It acts as a keystone to help improve that project. The price tag is $21 million. The Bayfront Park at Mission Bay – the Redevelopment Agency is responsible for developing the majority of this park. The Port is responsible for improving the edge condition and the estimated cost is $3 million. Without this improvement, Bayfront Park cannot be what it is. You have to stay back 50 or more feet from the edge and there will be a chain link fence dividing it. It takes care of one of the Port's responsibilities and improves the overall character of the area. The Blue Greenway – a set of projects developed through the Mayor Newsom's office last year. A number of them span a larger area. The City has a significant residential population set to occur in this part of the City including serving residents of Bayview, Potrero and Mission Bay, looking at improvements to Mission Creek, a new park, Warm Water Cove and improvements along Cargo Way. This will take care of some of the deteriorated conditions on Port property and also looks at spurring development on Port property. It has a double effect and an enhancement. It serves all three well. The price tag is $8 million. Pier 70 Crane Cove Park speaks to the word keystone. A project that could spur a development in this area. It would be one of the most fantastic open spaces in the City because of its location right next to the drydock. All of the history of the area will be incorporated into the project. The condition of Pier 70, the amount of work that is going to be required to go into the buildings to renovate them, they will not spin off the money

necessary to develop an open space. This draws its parallel much more to what happened in South Beach. It would be a very rich park in the sense of its history and being able to draw the character of the Port's industrial maritime uses. The price is $15 million. Staff tried to show to the bond committee that the public does not view the Port as a different place from the rest of the city. When the public use an open space, they look for the most valuable and convenient open space. We are trying to insert ourselves or be recognized as being part of the city's open space system and look for funding for projects and to enhance Port's facilities.

Ms. Moyer added that the GO bond process is a difficult one. The first stop is to get the City committee to accept our projects and they haven't given us any assurances that they would run those projects as of right now. Assuming that they did, it would be broken up into the two different bonds that are proposed for 2008 and 2013. It requires a 2/3 vote. It is a tool that is available. It is not clear that it is completely available to us. It's certainly would help.

Commissioner Fong asked about the total amount of GO bonds the Port is requesting. Ms. Olson replied that the total of all those projects is $61 million. The city is currently programming a total of $150 million in GO bonds for June 2008 and another $150 million in 2013. Rec & Park was expecting the full $150 million for their needs and they weren't too happy to hear that the Port wants to be a part of their bond. Commissioner Fong indicated that the Port is asking roughly 25% of the full amount. Ms. Moyer added that is in 2006 dollars. Whatever the amount would be in 2013 would be different. The Port will be competing with Rec and Park department projects in need. We are hoping we can push that number up but we haven't gotten an initial indication that people are thrilled to push the number up there. They are afraid of polling.

Ms. Moyer indicated that it would be a huge paradigm shift for the City. Traditionally, General Obligation Bonds are reserved for general fund departments. While the Port has had General Obligation bonds in the past, we paid for them with Port revenues. They were a vehicle for borrowing but the repayment did not come from the tax base, it came from the Port. Ms. Olson added that it's a process the Port will be involved in up through June, working with the city, with Rec & Park department, the Mayor's office, Department of Administrative Services to figure out which projects are going to get included both from the Rec & Park department and the Port. It is a paradigm shift. It was introduced for the city's capital plan that the Port's open space projects would be treated equally as the Rec & Park projects. It was a major milestone for the Port to be considered equal in terms of providing open space. Staff will keep the Commission apprise as we move along the process. She asked for the Commission's support.

Ms. Moyer indicated that last year, we spent a lot of time on how we came to these numbers. She reiterated that despite the fact that this is a humongous number, this is a very optimistic view. These costs are programmed in 2006 dollars; they are not escalated to the point and time in which we would actually do the work. That accounts for some of the change between last year's number and this year's. They are the barebones minimum of what would be required to keep the facilities open and typically when we touch a facility, we do more than the barebones. It's our best guess. The picture is probably not going to get any better. It probably will get worst. Likely, with respect to the financing tools that Tina Olson has identified, they are totally subject to market bond conditions.

Right now IRS tax codes would probably not allow us to finance a lot of what Ms. Olson mentioned. It's something that we will continue to work on. We have shown you the best possible picture.
Commissioner Fong agreed that open space and public space is the invitation for more commerce, more business, more circulation of bodies and people.

Commissioner Lazarus commented that it is remarkable to have this document and have our arms around what we think is out there, given what Ms. Moyer and Ms. Olson indicated that we know it's only going to get worst. It allows a conversation that we couldn't have had before they have this. She knows the majority of work that went into creating it last year and she would hope that it gets a little easier even a little more somber every year, to update it. She hopes that everybody knows that they appreciate what goes into doing this. She hopes it's useful everyone.

Ms. Moyer indicated that it certainly has, in the last year, proved to be an outstanding tool to help our constituencies and regulators understand the dire needs of the Port. It's helpful in getting good minds to solve the problems and to think about the problems in a new way. Port Maintenance does a fantastic job of keeping the outer wrappings looking fantastic which gives the illusion of wealth but in fact, it is a pretty dire situation and we need all hands on deck to solve our problems.

10. ENGINEERING

A. Informational Presentation on the Port's Condemned Piers, Wharves and Aprons Identified for Demolition.

Ms. Moyer indicated that this is an informational item only. We have alluded in the capital plan assets that we haven't been able to program even any ideas on how we might raise the funds but in addition to that, there is a list of facilities that have been already condemned. We haven't gone into detail in the capital plan. It's something that deserves to be aired in public. We're making, with the exception of Pier 36, a policy decision that has been historically made. Today, we're making no recommendation about how to proceed. We would obviously proceed by having discussions with the public, presuming we have any funds to do anything aside from Pier 36. We thought that we should make sure that the Commission and our constituents know that we have a list of condemned piers but it doesn't look like we have grand ideas on how to rescue them.

Ed Byrne, Chief Harbor Engineer, indicated that the Port of San Francisco has a long history dating back to the gold rush. We are still finding buried artifacts, ships abandoned at that time. There are Port ship repair buildings standing today at Pier 70 that date back to 1885 and probably served as some of the ships in Admiral Dewey's fleet. Unfortunately with age comes deterioration and several of Port's facilities have deteriorated to the point that they are no longer useful to the Port. Under the harsh marine environments and the waterfront structures tend to deteriorate. The Facility Assessment Team or FAT has identified a number of deteriorated and antiquated structures that are no longer operationally or functionally required and placed them on a list that is attached to the staff report, Condemned Piers, Wharves, Aprons Identified to be Demolished. The facilities noted on it are posted to be unsafe and have been barricaded to prevent public access and for public safety purposes. Around 1998, during the southern and mid-

Embarcadero Roadway projects, the Department of Public Works engineers made inspections and findings along the marginal wharf and found conditions of deteriorating marginal wharf, particularly along the side of the roadway. Port engineering staff inspected the facilities and confirmed the observations and the findings of other reports of deteriorated conditions which led us to recognize that we needed to put together some kind of a concentrated effort to make some structural inspections of the Port's facilities such that the FAT program came about. A FAT informational item will be presented to the Port Commission at its March 13, 2007 meeting. The presentation will detail the FAT findings and the repair projects in place and completed to date. To date, the FAT has repaired rapid structural assessments for every port facility including all substructures, piers, aprons, marginal wharves, and superstructures. Waterfront facility deterioration generally consists of dryrot and loss of section in wood, rebar corrosion, spalling and material degradation in concrete and corrosion and loss of section in steel waterfront structures. Wood piles have additional vulnerabilities including infestation by marine bores and wear from floating debris. Concrete beam framed substructures are more susceptible to spalling and rebar deterioration than flat slab construction. When a facility is deemed unsafe for current use, the FAT takes appropriate action to barricade those unsafe areas or restrict loading to assure public safety. In some situations, the facility is in such an overall state of disrepair and deterioration that it needs to be taken out of use and condemned. These facilities are closed, barricaded and signed/posted as unsafe both from the landside and waterside.

Facilities condemned and taken out of service create additional security and maintenance issues and greatly increase the Port's liability exposure. Once a facility is taken out of use, there is no longer the tenant presence that maintains security, tidiness and performs routine maintenance leaving these responsibilities to the Port. Past Port facility closures have experienced break-ins, fires and graffiti and have required continual security and maintenance of the security barricades and signage. Condemned facilities require the constant attention by Port staff which is costly and drains Port resources. Demolition is being considered for these facilities as a means to eliminate these problems once funding is available. Mr. Byrne showed the Commission pictures of the following deteriorated facilities:

- Pier 96 Lash Barge Finger Pier – an 1800 foot long finger pier in the southern waterfront where an 80 foot length of the pier collapsed into the Bay less than a year ago. The structure has not been used for decades and there is no viable future use for this structure envisioned by Port staff.
- Pier 90 Grain Terminal Apron – An antiquated facility, not used since the 1970's. This structure has been out of use since the closure of the grain terminal and is now falling into the Bay. Currently any demolition would not include the steel grain loading arm structure which is supported on concrete substructures and is in fair condition.
- Derelict Wharves on Islais Creek West of Third St. – Two deteriorated and dilapidated wharf structures that have not been used for decades, and no viable future use for this structure is envisioned by Port staff. Currently any demolition would not include the Copra Crane Loading Structure.
- Wharf 7 at Pier 70 – This structure has deteriorated to the point that the only remaining sections consist of damaged piles sticking out of the water.

- Wharf 8 at Pier 70 – Up to the late 1990's, this pier was used to pump oil from ships to nearby storage tanks. As recently as five years ago, some boats would still tie up to the structure. At one point, Port staff briefly considered the idea of retaining the pier, repairing it in such a way so that it could serve as a breakwater for drydock operations, but this option was found to be very costly.
- Pier 64 – This facility has been degenerating for a long time, and now consists of nothing but piles sticking out of the water.
- Pier 60, formerly Carmen's Restaurant – The 4th Street bridge project forced the relocation of Carmen's Restaurant. Following the move, Port staff evaluated the facility and determined that the substructure had deteriorated beyond the point of repair. Subsequently, the facility suffered substantial fire damage making demolition the only viable option.
- Pier 52, former railroad barge loading facility – This facility has been out of use for several decades and will require additional consideration and review prior to proceeding with demolition due to the facility's historic significance.
- Pier 36 and the Marginal Wharf from Piers 32 to 36 ("Pier 36") – This pier already is in the planning stages for demolition, pursuant to Port and BCDC planning objectives to remove Bay fill and create the Brannan Street Wharf public park. It is the only pier demolition project funded in the Port's 10-year Capital Plan.
- Remaining portion of Pier 24 adjacent to the Bay Bridge support pier – Removal of this remaining piece of Pier 24 is a requirement of BCDC.

Prior to the demolition of piers, aprons or wharf structures, the Port is required to secure the necessary entitlements to allow for demolition. Port staff will coordinate with each of the required regulatory agencies to insure all necessary permits are secured prior to demolition.

The Port's 10-Year Capital Plan identifies a variety of funding sources to be used to repair Port facilities and identifies certain facilities to be repaired. The 10-Year Capital Plan also identifies facilities that have no funding source available for repair. In cases where there is no funding source for a condemned facility, the Port is given the choice of securing the facility to ensure public safety, or demolishing the facility. Currently, Pier 36 is the only Port facility on the list that has funding available for demolition. This funding is included in the Brannan Street Wharf/Special Area Plan appropriations totaling $15 million, $9 million of which is related to the Port's Seawall Lot (SWL) 330 land sale proceeds (and is on a Board of Supervisors reserve) and $6 million of which is from annual capital project appropriations for the Special Area Plan. At this time the engineer's cost estimate for the demolition of Pier 36 is approximately $4.85 million, which includes the complete demolition of the shed, pier, marginal wharf and section of marginal wharf extending north to Pier 32, with piles being removed to a point that is approximately two feet below the bay floor mudline.

There is some cost estimates that are associated with the demolition projects in today's dollars. There's significant liability to take these out. We hope to get some funding

from other sources before proceeding. At this point, these facilities are all barricaded and signed appropriately.

Port staff have developed the FAT program and from this program have identified a demolition list for condemned piers, wharves and aprons. All of these facilities have been barricaded for public safety. Funding is available for the demolition of Pier 36. Staff will begin the permit process and develop the necessary construction documents for the Pier 36 demolition. Staff will seek Port Commission authorization to advertise this demolition project in spring 2008, after all necessary permits and regulatory reviews have been obtained or completed.

Commissioner Brandon commented that the presentation is very enlightening. She asked what happens to the rest of the piers. Mr. Byrne indicated that this is a small subset of an overall assessment. We have all the facility assessments for all of our Port facilities which staff will present to the Commission in March. The program has been funded fairly significantly. We have invested about $7 million in pier repair and another million this year. There's quite a bit going on, a lot of projects that staff have done and accomplished and would like to show the Commission. There are plans to move forward with future facilities that would be repaired and some that have not been repaired but have not been slated for demolition. These facilities are still functional and useful. Some of the aprons that we are gathering funding for ($2.5 million), we want to keep those aprons in place so we don't lose that section of the pier so we can use it in the future for public access or some other function.

Commissioner Brandon asked if the condemned piers are part of the capital plan that is unfunded. Mr. Byrne confirmed that the demolition of the condemned piers are unfunded.

Ms. Moyer indicated that we did this informational item today because we started to talk about how to address Pier 36. Ed brought it to our attention that there were more Pier 36 that did not have funding. What's useful about the exercise is to find out where people's interests are. She was surprised that there were not a lot more people here today because it's her own sense that there is an interest to try to save Pier 52. To start with Brad and Daley's help and others to see if there is money available elsewhere to help take some of the structures out, particularly the ones where all that's left is the piles or the ones where we have a legal obligation to do so. With respect to the capital plan, we've held off asking the Port Commission the $66 million question which is where do you want to prioritize the limited dollars that we have. It's something that we need the Port Commission to be cognizant of with respect to Tina's presentation. We are trying to emphasize any new dollars for new revenues so that we don't exacerbate the problem but that may not be the policy decision that is appropriate. We really don't know. Today is just the jumping off point. It's something that we've been talking about internally and wanted to share it to the Commission. Other than that, we don't have any ideas.

Commissioner Brandon indicated that from the list of condemned piers, are there any that can be saved that wouldn't cost a whole lot more than it would to demolish them. Mr. Byrne replied that on the list are piers that can't be saved. We would be throwing a lot of dollars for no real functional purpose or operational purpose. We have facilities that we would rather invest the dollars in. Pier 9 has a lot of aprons that we still need to do. There

are a number them in the northeast waterfront. Commissioner Brandon indicated that this is just like we've done in the past where we've given all of our resources to the northeast waterfront and we neglected the southern waterfront. Commissioner Brandon asked if there is any way to save these piers in terms of open space, in terms of bringing that section of the city closer to the waterfront.

Ms. Moyer replied that the most obvious one is Pier 52. For example, if we were able to save or rebuild the apron next to the grain silos, the grain silos are not safe enough to allow people to walk by there. It's sort of the beginning of a conversation. Pier 52, in her view, could be the same candidate that the open space at Pier 14 is and the challenge would, as was with Pier 14, to cobble together funds from other sources. Of the other ones, a number of the key elements have long been gone. We'd like to invest in easier open space such as Crane Cove Park or Warm Water Cove where we don't have to build a substructure to facilitate that open space on a more meaningful footprint but we haven't sat down with Planning or with the community or anyone to brainstorm. We want to start the conversation to make sure that the Commission is aware to what's out there. Staff is open to ideas. Just as in a construction project when Ed talked about permits, we'll need to do environmental quality stuff and we'll need to do labor history and other related matters. Pretending for a moment, we had the money, it would be a very long timeline before the work could commence.

Commissioner Brandon asked what happens if we demolish the piers and then found out later that some of the piers are historical. Ms. Moyer replied that it's a reasonable question. The only thing she knows and point to is what we did with Pier 36 which is commit to cataloging the pier. Diane Oshima indicated that even if a pier is historic, it doesn't preclude it from being demolished but there is a much longer lead time that is involved. For Pier 36 for example, we will have to do supplemental EIR to cover the lost of the historic resource to enable actions to be taken on the demolition as well as the labor history research. Pier 52 would fall into that same category. If we move into a demolition mode, it is a historic resource or potentially eligible, she expects that we would have to go through similar type of CEQA process.

Ms. Moyer indicated that Ed Byrne's presentation did show the base of the copra crane and we are working through a lot of donations and other things to keep it in place. He was talking about the stranded piles.

Mr. Brad Benson indicated that John Mundy did a great job organizing a recent water tour of the waterfront for some of our regulators – NOAA, Army Corps of Engineers, and EPA. There was some discussion about the older structures where there are creosote piles that aren't wrapped that they could pose a threat to some endangered fish species in the bay. It is one of the ideas that we are going to be exploring further. There's a question about whether it's good to leave these structures the way they are but secondly, part of Army Corps' mission is to watch out for the endangered species in the bay. It may be an avenue worth pursuing to see whether or not there's federal funding available through the Corps to participate in that work.

Ms. Moyer indicated that we are open to any thoughts anyone has. We don't have a specific goal today other than making sure that the Commission and our constituents are aware of these issues and particularly since they are liabilities for the Port in one fashion

or another. When we come back in late March to talk about the facility assessment team work, we probably won't focus much on these assets. Some of the other assets that we have either we've been able to do something with or hoping to do something with or have asked our tenants who have the obligation to do it.

11. MARITIME

A. Request approval of First Amendment to Non-Exclusive Management Agreement No. 13652 between the Port and Metro Cruise Services LLC for the management of the passenger cruise terminal at Pier 35 and other Port facilities designated for cruise ship operations. (Resolution No. 07-10)

Michael Nerney, Maritime, indicated that Metro was originally known as California Stevedore & Ballast, or CS&B, and the company goes all the way back to 1852 in the Gold Rush era, a decade before the Port of San Francisco itself was even founded.

In the audience today from Metro are Mr. Lorenzo Looper, the cruise terminal manager, and Mr. Marty Miles, the facility security manager. These gentlemen were instrumental in the success of the high-profile maiden call of the Queen Mary 2 last week, and we greatly appreciate their help. The planning effort for QM2 started two years before we ever saw the ship, the largest vessel ever to enter San Francisco Bay.

Metro provides key services to the Port's cruise line customers. They manage the longshore labor, stevedoring equipment, and terminal fixtures. They enforce homeland security regulations and work closely with Customs and Border Protection, the Coast Guard, the ship security officers, the San Francisco Police, and Parking and Traffic officers. Metro implements logistical plans for the efficient processing of passengers.

For example, last Monday on the QM2 at Pier 27, there were 2,000 passengers who disembarked in the morning, 2,000 more who embarked in the afternoon, plus 600 passengers and 1,200 crew members who were in transit. The ship loaded an incredible 500 pallets of stores and provisions within the 8-hour shift. Meanwhile, at Pier 35, the Dawn Princess also disembarked and embarked 4,000 passengers. All of this was managed very effectively by Metro.

The current contract with Metro is a five-year agreement that expires in 2009. The reason we are seeking this amendment is to address the business issues listed in the staff report that have arisen since the agreement was first implemented. Among these are the following six items:

1. The fact that Metropolitan Stevedore Company, whose name is on the existing agreement, changed its name to Metro Cruise Services. Both Metropolitan Stevedore Company and Metro Cruise Services are subsidiaries of the same parent company, Nautilus International Holding Corporation. There was no transfer or assignment of ownership interests as a result of this name change.

2. The current agreement refers to Pier 35 as the primary cruise terminal facility, which it is. The amendment specifies Pier 27 and Piers 30/32 as examples of other facilities that Metro may utilize as alternate cruise terminals when Pier 35 is unavailable or occupied by other vessels.

3. Whenever Metro performs services at alternate cruise terminals and incurs the cost for any items for which the Port has responsibility, the Port will be able to reimburse Metro for such costs using passenger wharfage fees, instead of the current method of issuing a credit against Metro's management fee. The Port's cost obligation under the new amendment is unchanged, but this will allow the Port to reimburse Metro more promptly than before, which is reasonable.

4. The amendment clarifies maintenance and repair responsibilities at Pier 35 and cost responsibilities at off-site locations for items such as Shelter, Utilities, and Security.

5. The effective date of the amendment shall be January 1, 2007, and the new term of the Management Agreement shall be extended two years, to April 30, 2011.

6. The annual use fee payable to the Port shall be increased 10% to $165,000.00 for each of the two-year extension period.

The staff report also includes a general cruise industry update. Cruise ships at the Port generate approximately $60 million per year for the local economy. Staff has worked hard to stimulate this important economic asset. Next month, Executive Director Monique Moyer, Maritime Director Peter Dailey, and he will attend the annual Seatrade Cruise Shipping Conference in Miami. This event is attended by all the major cruise lines, and we will be promoting our port to itinerary planners and key decision makers. Metro will also attend Seatrade, as will BAE, the operator of the Port's drydock and ship repair facility at Pier 70. Incidentally, 40% of BAE's revenues are derived from cruise ships.

The Port's Cruise Terminal Environmental Committee, CTEAC, implemented several initiatives aimed at reducing the environmental impacts of cruise shipping in San Francisco Bay. These include having a no-discharge provision on our berthing application, obtaining a grant from the Environmental Protection Agency that helped cruise ships reduce emissions, and awarding vessels with on-board environmental systems that decrease air and water pollution.

Notwithstanding the QM2, the Port has gone to great efforts to ensure smooth vehicular and pedestrian flow on the days of cruise calls. This includes activating Pier 27 and Piers 30/32 when multiple cruise ships are in port, hiring San Francisco Police officers to manage traffic, using programmable traffic signs, and notifying tenants and the public of cruise activities.

The San Francisco Planning Department reviewed the Metro amendment and ruled that it complies with CEQA, the California Environmental Quality Act, for projects that do not involve a change or intensification of use.

Metro Cruise Services is doing an excellent job for the Port and our cruise customers. The proposed First Amendment addresses business issues that have arisen since the existing agreement was implemented three years ago. He asked for the Commission's approval of the amendment.

Commissioner Brandon asked about what the original agreement was versus what we are doing now and the changes. Mr. Nerney replied that one of the issues that is on the table is the fact that when Metro would set up Pier 27 or Pier 30-32, we were issuing them credits against the fee that they pay us. That was spinning out to a year out into the future. There are occasions this year like with the QM2 where we need to set up alternate facilities. One of the key points in the amendment allows us to reimburse Metro using wharfage fees so that they are not carrying that money for so long but the fees are the same. We've put a limit of $150,000 per contract year but under the existing agreement, we only have the ability to issue them credits for whenever they set up an alternate site. This puts a limit on that.

Commissioner Brandon indicated that if the cruise call is more than 90, we get an additional $4,000 and if it's less than 55, we have to give credits. She asked what the policy is for the last couple of years. Mr. Nerney replied that has not changed. Commissioner Brandon asked how this new agreement differs from the existing contract. Mr. Nerney replied that one of them is for the name change. Commissioner Brandon indicated that she' trying to justify the two-year extension.

Ms. Moyer indicated mostly it's the ability for them to amortize the credits that they've incurred already and in return, will get a higher management fee.

Commissioner Lazarus asked why is this known as a non-exclusive agreement; could we also contract with somebody else? Mr. Nerney replied that Metro and CS&B have been the cruise terminal operator at Pier 35 going back to the days of Matson ships. They've been the only operators there for all that time.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 07-10 was adopted.

12. NEW BUSINESS / AGENDA SETTING

Ms. Moyer indicated that given the Port Commission had lengthy presentations on the three financial items today, we might bring it back next time under the consent calendar. It makes no difference to us; it's how we used the Commission's time. She asked for suggestions. Commissioner Brandon indicated that she didn't have her question about the PUC lease answered. Ms. Moyer indicated that it is the anticipated revenue for PUC laydown space for the use of Port property related to their turbine project. That's what we're anticipating in the budget. We'll bring the budget back after we've done our negotiations with the Mayor Newsom's office and the Board of Supervisors. She expects to see changes in that timeframe. The Commission had asked staff to bring this as an informational item so the Commission may have time to react.

Ms. Moyer indicated that we had hope to have an agreement with the Pasha Automotive Services but we are still negotiating the terms and doing the paperwork. We hope to have it here the next time and that affects the MTC agreement. At the next meeting, we also have an informational presentation from High Flying Foods on where they are and their vision for 360 Jefferson. We are getting close to finalizing the agreement but we have to do a CEQA before the Commission can approve the agreement. The ENA that we signed with them didn't provide for an EIR period. Eventually, we will ask the Commission's permission to extend the ENA. We want to show you what they are thinking so we can explain why we would need to do CEQA a different way and extend the ENA.

We plan at our next meeting to have our first update on the Wharf J10 demolition project. That was not on Ed Byrne's list of condemned piers. Staff would like to give the Commission a quarterly update as we did with the Illinois Street Bridge.

Commissioner Brandon indicated that the Pasha agreement is a huge addition to the Port. However, she heard that there were concerns expressed at the advisory meeting last night. She would like to be briefed to make sure that a lot of those concerns are addressed. Ms. Moyer indicated that she too have not been briefed about all the concerns. She knows that there was some conversation about the fact that it wasn't coming forward to the Commission as an informational item before it becomes an action item. Her thinking on that is that capturing the deal while the deal is hot but also it's the same sort of use that's already in place there that we didn't see as a new policy decision. We can certainly talk to Pasha about another delay but we're mindful that they have other options. The answer to the Commissioner's question is yes. She asked if she'd like it to come to the Commission as an informational item first. Commissioner Brandon replied that she does not know because she does not know what the terms are and what the concerns were and how they've been addressed.

13. PUBLIC COMMENT

Ernestine Weiss discussed a plaque that Simon Snellgrove, developer of Pier 1½, 3 and 5 has proposed to honor her and other community groups and individuals for creating ferry park. Ferry Park is an original keystone project. This enhanced the waterfront which made the area spectacular. It provides for huge events, spilling customers to all the piers, restaurants, etc. It's a continuous cash cow for the city. There was no hesitation to put 20 plaques on Pier 1 ½, 3 and 5 before the opening of the pier which was rushed through without any public comment or prior notice to approve them. There's a plethora of 20 plaques. Herb Caen Way was named, Art Agnos got a plaque for Pier 14. She does not think that this is asking for too much to put one little plaque between Pier 3 and 5 at the base of the flagpole to honor them for a big contribution. There is nothing to compare with this park at this part of the city in front of the Ferry Building. She has been the most loyal friend of the Port as far as activists are concerned and to say that it is precedent setting, it has no legs because this was created after the 1989 earthquake. This is not a precedent that is going to happen day in and day out. She asked the Commission to consider the proposal of a plaque which would be paid for by Simon Snellgrove. It would not cost the Port anything, to propose it and approve the plaque. This would be a small token of appreciation to show for all the work she's done to enhance the Port. She hopes that the Commission will consider it seriously. This is a historic marker; it is not precedent setting. It's once in a million years that this will happen. She asked for the Commission's forbearance and properly do the decent thing and propose and approve it.

14. COMMUNICATIONS

15. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn the meeting; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 5:37 p.m.

SAN FRANCISCO PORT COMMISSION

Ann Lazarus, President
Kimberly Brandon, Vice President
Rodney Fong, Commissioner
Michael Hardeman, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax: 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax: 415-274-0412

PLEASE NOTE THE TIME OF THE MEETING

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DOCUMENTS DEPT.
FEB 23 2007
SAN FRANCISCO
PUBLIC LIBRARY

AGENDA
REGULAR MEETING
TUESDAY, FEBRUARY 27, 2007
2:00 P.M. EXECUTIVE SESSION
3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO, CA 94111

07 FEB 23 PM 1:1

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk.

1. **CALL TO ORDER / ROLL CALL**

2. **ANNOUNCEMENT OF PROHIBITION OF SOUND PRODUCING DEVICES DURING THE MEETING**

3. **APPROVAL OF MINUTES** - February 13, 2007

4. **PUBLIC COMMENT ON EXECUTIVE SESSION**

5. **EXECUTIVE SESSION**

 A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

 (1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
 This session is closed to any non-City/Port representative.*

 a. Property: 23rd Street along the bay floor to the San Francisco County Line

Person Negotiating: Port: Brad Benson, Special Projects Manager
*Trans Bay Cable LLC: Sam Wehn

Under Negotiation: _____ Price _____Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at 23rd Street along the bay floor of the San Francisco County Line.

b. Property: Piers 27-31
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

Under Negotiation: _____ Price _____Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Piers 27-31.

6. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

7. EXECUTIVE

A. Executive Director's Report

- Seawall Lot 337 Committee Meeting – February 28, 2007 @ 4:30 p.m. @ Pier 1
- Cruise Terminal Advisory Meeting – March 8, 2007 at 9:00 a.m. @ Pier 1
- Stormwater Design Guidelines Workshop – March 8, 2007 at 6 p.m. @ Pier 1
- Sister Port Conference (Profitability through Sustainability) – April 23-26, 2007
- Major League Baseball All-Star Game at AT&T Park – July 6 to 10, 2007

B. Informational report regarding As-Needed Professional Service Contracts, Second Quarterly Report Fiscal Year 2006-07.

8. CONSENT

A. Request approval of the Port's Operating Budget for Fiscal Year 2007-08. (Resolution No. 07-15)

B. Request approval of the Port's $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08. (Resolution No. 07-16)

C. Request approval of the Port's Ten-Year Capital Plan. (Resolution No. 07-17)

9. ENGINEERING

A. Informational presentation regarding Stormwater Design Guidelines for New Development and Redevelopment in San Francisco.

B. Informational Presentation on the Status of Contract 2708, Wharf J10 and Fishery Building Demolition Project.

10. REAL ESTATE

A. Request approval of Lease No. L-14261 for 2902 square feet of office space with California Foundation on the Environment and the Economy (CFEE) at the southwest end of Pier 35. (Resolution No. 07-18)

B. Informational presentation regarding tenant improvement credits and tenant allowances.

C. Informational presentation regarding Real Estate Broker Fees Policy at the Port of San Francisco.

D. Informational presentation regarding the environmental review and energy policy considerations related to the proposal by Trans Bay Cable LLC (TBC) to install an electricity transmission line at 23rd Street and the San Francisco Bay and proposed terms of the proposed Port-TBC agreements.

11. MARITIME

A. Informational presentation on a proposed Marine Terminal Agreement for Pier 80 with Pasha Automotive Services.

B. Informational presentation on Casual Landings of Excursion Boats at Port Ferry Facilities.

12. PLANNING & DEVELOPMENT

A. Request approval to extend the term by an additional sixty days of the Exclusive Negotiation Agreement ("ENA") with High Flying Foods, Inc., for the Retail Leasing Opportunity located at 360 Jefferson Street; Request Approval to Execute First Amendment to the ENA extending the Term to May 4, 2007. (Resolution No. 07-13)

B. Request approval to Execute Fourth Amendment to the Amended ENA Extending the Term and Amending the Benchmarks and Other Provisions (Site Location: The Embarcadero, between Francisco and Battery Streets). (Resolution No. 07-14)

13. NEW BUSINESS / AGENDA SETTING

- New Business
- Agenda Setting (Targeted Commission meeting, subject to change)

- Informational presentation on Building Occupancy Resumption Program of the Port of San Francisco (March 13, 2007)
- Informational presentation regarding the Facility Assessment Program and Findings (March 13, 2007)
- Request approval of a new fifteen-year, Non-Exclusive Management Agreement with Pasha Automotive Services for management of an automobile terminal at Pier 80 (March 13, 2007)
- Request approval of the First Amendment to the Non-Exclusive Management Agreement No. 13893 between the Port and Marine Terminals Corporation for management of the cargo terminal at Pier 80 (March 13, 2007)
- Request approval of resolution authorizing implementation of the Airspace portion of the Sidewalk, Airspace, and Curbspace Encroachment Policy to April 1, 2007, to include possible approved adjustments to the Policy (March 13, 2007)
- Request approval of CEQA Findings and License Agreement with Trans Bay Cable LLC for use of 9.4 miles of Bay Floor for a direct current transmission line (March 13, 2007)
- Informational presentation regarding the City's Emergency Text Message Alerting System (March 27, 2007)
- Informational presentation on findings of Port Meter Pilot Program (March 27, 2007)
- Request approval of Lease with the San Francisco Bar Pilots for space located at Pier 9 (March 27, 2007)
- Request authorization to award Construction Contract No. 2713, Pier 52/54 Public Boat Launch Project (April 10, 2007)
- Request approval of resolution authorizing the Executive Director to execute a Memorandum of Understanding with the San Francisco Entertainment Commission to transfer responsibility for the issuance and administration of Entertainment Related Permits from the Port to the Entertainment Commission (April 10, 2007)
- Request approval of Lease No. L-14268 between the Port and High Flying Foods, LLC for Port property located at 360 Jefferson Street (Date to be determined)
- Request Endorsement of Amended and Restated Development Memorandum with SF Piers LLC for the Piers 27-31 Mixed-Use Recreation Project (Site Location: The Embarcadero between Francisco and Battery Streets) (Date to be determined)
- Request approval of First Amendment to Berthing Agreement with California Sealift Terminals, Inc. (Date to be determined)
- Request authorization to increase ferry rates at the Port of San Francisco (Date to be determined)
- Request authorization to Advertise for Competitive Bids for the Pier 35 Façade Improvements Project, Contract No. 2712 (Date to be determined)
- Request approval of a Memorandum of Understanding with the City's Recreation and Park Department for use of space at Hyde Street (Date to be determined)
- Request approval of Tri-Party Agreement with Port, the Exploratorium and Baydelta Maritime for lease of space at Pier 17 (Date to be determined)

14. PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent

public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

15. COMMUNICATIONS

Communications to the Port Commission received from February 9-22 2007:

- From Charles Chase, San Francisco Architectural Heritage, regarding Port's Condemned Piers, Wharves and Aprons Identified for Demolition
- From Port staff, Leases executed pursuant to Port Commission's Leasing Parameters Policy
- From Walter Caplan, San Francisco Bay Area Chapter Model A Ford Club of America, regarding 2007 Classic Car Show at Pier 45
- From Dennis McKenzie, Round the Diamond, regarding Piers 27-31 Mixed Use Recreation Project

16. ADJOURNMENT

FEBRUARY/MARCH 2007
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
February 27	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
February 28	4:00 p.m.	Seawall Lot 337 Port Commission Committee Planning Process	Pier 1, Bayside Conference Room
March 13	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
March 27	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 3:00 p.m., unless otherwise noticed. ***The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com.*** Contact Amy Quesada at 274-0406.

The Cruise Terminal Advisory Panel generally meets the second Thursday of the month. The next meeting is scheduled on March 8, 2007 at 9 a.m. in the Bayside Conference Room at Pier 1. Contact John Doll at 274-0639.

The Cruise Terminal Environmental Advisory Committee generally meets the third week of each month. Date and time to be determined. Contact Michael Nerney at 274-0416.

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jennifer Sobol @ 274-0548.

The Central Waterfront Advisory Group meets monthly on an as-needed basis generally on the 3rd Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or via email @ Mark_Paez@sfport.com.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Tom Evans, Redevelopment Agency, at 749-2539 or tom.evans@sfgov.org for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets jointly with BCDC's Design Review Board on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. or the Committee meets as needed on the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625.

The Port Permit Appeals Committee meets regularly on the first Thursday of June and December of the year. For further information contact Ed Byrne at 274-0570 or Dan Hodapp at 274-0625.

ACCESSIBLE MEETING INFORMATION

Ferry Building:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets.
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

Pier 1:

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

Accessible meeting information policy:

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: As-Needed Professional Service Contracts – Fiscal Year 2006/07; 2nd Quarter Report for the Period October 1, 2006 through December 31, 2006

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY; NO ACTION REQUIRED

INTRODUCTION

The purpose of this report is to comply with "As-Needed" contracting requirements as promulgated by Section 6.64 of the San Francisco Administrative Code, Port Commission Resolution 03-50 and a Letter of Agreement with Local 21 International Federation of Professional and Technical Employees Association (IFPTE). (Effective April 2005, a $200,000 limit was imposed via City ordinance for use of as-needed contract services per each single public works project.) In addition, this report outlines the Port and Human Rights Commission (HRC) efforts to ensure contract compliance with the City's Minority and Women Business Enterprise (MWBE) and Disadvantaged Business Enterprise (DBE) programs.

BACKGROUND

This report represents the 2nd Quarter Report for Fiscal Year 2006-2007. It includes information on the status of two Environmental and Engineering contracts that were originally due to expire July 31, 2006. The Port Commission subsequently extended those contracts through July 31, 2007 to allow work authorized under existing Contract Service Orders (CSOs) that were in place prior to the contract expiration to be completed. These contracts contained provisions to report utilization of minority and women owned business enterprise (MWBE) participation as a part of the Port contracts for environmental and engineering related professional services.

This Print Covers Calendar Item No. 7B

The MWBE program was terminated by court order in 2005. As such, professional service contracts procured between August 2004 and August 2006 contained City and County of San Francisco ordinance provisions to include participation of Disadvantaged Business Enterprises (DBEs). Thus, this report also includes information on the utilization of DBEs on twelve (12) newer as-needed contracts mostly awarded in 2006.

The Port uses As-needed contracts to obtain services (usually highly specialized) that can not be performed by Port staff or City staff due to required expertise or availability to meet deadlines. Work performed under as-needed contracts is assigned on a Contract Service Order basis. While consultants are required to consider utilization of their listed M/WBE subconsultants for each CSO, often times the work required for a specific project may not include opportunities for listed MWBE firms to participate.

Any contractor or member of the public can access payment information to city contractors/vendors on-line through the Controller's Office website: http://www.co.sfgov.org/vpi. In addition, information is posted on the Port's intranet website (under "on-line reports") to update Port staff as to the amount of as-needed consulting dollars spent on the various Port public works projects and dollars remaining in authorized CSOs.

DISCUSSION

The attached As-Needed Professional Service Contract Report is for the 2nd Quarter Period of October 1, 2006 – December 31, 2006 for Fiscal Year 2006-2007. (Activity subsequent to the report end date is not included.) This report, included as Attachment "B" will be submitted to the Local 21 and Board of Supervisors.

This report focuses on:

- as-needed engineering and environmental consulting service contracts authorized by the Port Commission through its July 16, 2003 Resolution #03-50, consisting namely of Parsons, Brinckerhoff, Quade & Douglas, Inc. and Moffatt & Nichol Engineers;
- Newer as-needed Real Estate Economics and Related Consulting Services contracts.

The above Resolution #03-50 contracts are being replaced by three (3) separate new pools of as-needed contracts as follows:

1. As-Needed Architectural and Engineering Professional Services
2. As-Needed Environmental Consulting Services
3. As-Needed Construction Support Services

Each of the above three (3) pools of contracts include a DBE subconsulting participation of 20% as determined by the Port's HRC Contract Compliance Officer. This subconsulting goal applies to the entire contract dollar amount for work awarded under cumulative Contract Service Orders over the life of the contract. It should be noted that six (6) out of the eight (8) contracts awarded for the above three (3) pools include a joint venture relationship with a DBE firm. Therefore, these new contracts will include DBE participation at both the prime (direct)

contracting level, as well as the subconsulting (indirect) contracting level. Thus, by splitting up the contracts, it is anticipated that greater DBE participation will be achieved than under the 2003 as-needed contracts. The DBE subconsulting goal for newer four (4) As-Needed Real Estate Economics contracts is 15%. There are no Joint Ventures included in that pool.

As a part of Port Commission Resolution authorizing all of the aforementioned contract awards, the following requirements apply (paraphrased for brevity):

1) The Port would exhaust its efforts to use Port or City staff in other departments whenever possible prior to exercising use of the As-Needed contracts.
2) Port Commission action is required on any Contract Service Order in excess of $75,000 (older as-needed contracts); $200,000 limit for any Contract Service Order issued under the newer as-needed contract pools.
3) Port staff would provide a report to the Port Commission on a quarterly basis as to the overall use of the contract, as well as to Human Rights Commission participation goals.
4) Copies of these quarterly reports are provided to Local 21 and the Department of Public Works (DPW).

Local 21 and DPW requested that the Port include the following additional information in the subject quarterly reports:

- Contracting activity for the previous quarter
- Anticipated contracting activity for the upcoming quarter
- Estimated staffing numbers and projects related to the as-needed contract services.

In addition to the above reporting requirements, San Francisco Administrative Code Section 6.64 – AS NEEDED CONTRACTS, requires "department heads authorized to execute public works and professional service contracts to report quarterly to the Board of Supervisors regarding the department's use of as-needed contracts and the actual amount of participation of MBE and WBE subcontractors or subconsultants that were listed on prime contractor's bid(s) or proposal(s) to determine whether MBE/WBE subcontracting participation goals are being met on as-needed contracts. Such reports shall be referred to a Board committee for public hearing."

REPORT SUMMARY (Highlights)

- Work on Contract Service Order #MN-15 for Drydock Disposal consulting services is behind schedule due to on-going access problems. Therefore, it is highly likely that the contract will need to be extended again beyond the scheduled July 31, 2007 termination date.
- Moffatt & Nichol Engineers achieved 23% MBE and 0% WBE participation on Contract Service Orders modified during this quarter while cumulative MBE participation is at 11% and WBE participation at 9%.

- Parsons, Brinckerhoff Quade & Douglas, Inc. achieved 84% MBE and 0% WBE participation on Contract Service Orders modified during this quarter while cumulative MBE participation is at 12% and WBE participation is at 5%.
- Bay Area Economics, Inc. was issued a CSO in the amount of $58,010 and proposed no DBE participation for their work on the Piers 27/31 Project.
- Creegan & D'Angelo achieved 36% DBE participation for the quarter and cumulative for the end of the quarter at 22.95%.
- Treadwell & Rollo/Hydroconsult JV achieved 20% DBE participation for the quarter as well as cumulatively for the end of the quarter.
- Weiss Associates achieved 16.2% DBE participation for the quarter as well as cumulatively for the end of the quarter.
- Legal review for the definition of a "single public work project" has been initiated to assure the Port's compliance with the letter and spirit of Administrative Code Section 6.64 for the purpose of adhering to the $200,000 threshold limit for as-needed consulting services over the life of a project.
- On December 11, 2006, Port staff appeared before the Ethics Commission to seek a waiver from Campaign and Governmental Conduct Code Section 3.22(b) to add a subconsultant to one of the as-needed contracts teams. That subconsultant, PMG Consultants was added to the team of Creegan & D'Angelo for the purpose on-going work on the Cruise Terminal Development (Concept Study) work. PMG is not a DBE firm.
- The HRC has determined that all of the firms have made good faith efforts to meet the original MWBE or DBE goal established in their contract.

RECOMMENDATION

The attached report is submitted to meet the above requirements. In closing, staff requests the Port Commission's acceptance of this report.

Prepared by: Norma Nelson, Contract Administrator
for: Tina Olson, Director of Finance & Administration

cc: Clerk, Board of Supervisors
Local 21, IFPTE Representative Michael Seville
Department of Public Works, Nelson Wong



AS-NEEDED CONTRACTS QUARTERLY REPORT FOR THE PERIOD
FY 2006-07; October 1, 2006 – December 31, 2006 (2nd Quarter)

The purpose of this report is to comply with "As-Needed" contracting requirements as promulgated by Section 6.64 of the San Francisco Administrative Code, Port Commission Resolution 03-50 and a Letter of Agreement with Local 21 International Federation of Professional and Technical Employees Association (IFPTE). (Effective April 2005, a $200,000 limit was imposed via City ordinance for use of as-needed contract services per each single public works project.) It is divided into the following three sections: 1) Overall Use of the Contracts; 2) Anticipated As-Needed Upcoming Contracting Activity for the Next Quarter; and 3) Staffing and Projects.

This report includes the following two contracts (originally valued at $1.0 million each) which were originally due to expire July 31, 2006, but the Port Commission extend these contracts through July 31, 2007 to allow for completion of work in progress on important Port projects requiring continuity:

1. Parsons, Brinckerhoff, Quade and Douglas, Inc. (PB); and
2. Moffatt and Nichol Engineers (MN).

The Parsons, Brinckerhoff, Quade and Douglas, Inc. contract has been increased to a not-to-exceed amount of $1,500,000 to compensate for its work on the Illinois Street Bridge project. However, these two contracts are being replaced by three (3) separate new pools of as-needed contracts as follows:

- As-Needed Architectural and Engineering Professional Services;
- As-Needed Environmental Consulting Services; and
- As-Needed Construction Support Services

Of the above replacement As-Needed Contract pools, as of this date, the Port Commission awarded the following newer contracts:

<u>As-Needed Architectural and Engineering Professional Services (NTE $1.5 million ea.)</u>

1. Creegan & D'Angelo
2. Winzler & Kelly/Tom Elliot Fisch Joint Venture (DBE)

<u>As-Needed Environmental Consulting Services (NTE $665k ea.)</u>

1. Treadwell & Rollo/Hydroconsult Joint Venture (DBE)

2. Weiss & Associates
3. URS/Avila (DBE)

As-Needed Construction Support Services (NTE $500k each)

1. Maritime Construction Management Coalition (DBE Joint Venture with Parsons Corporation)
2. BDI/ECS Joint Venture (DBE)
3. AGS/LEE Joint Venture (DBE)

In addition to the above, the Port has established the following pool of As-needed Real Estate Economics consultants, of which contracts have been executed in the amount not-to-exceed $550,000 each.

1. Economic Planning Systems
2. Keyser Marston Associates
3. CBRE Consulting Inc.
4. Bay Area Economics Inc.

The newer As-Needed Contract pools fall under the San Francisco Human Rights Commission (HRC) interim Disadvantaged Business Enterprise (DBE) program. The DBE replaced the Minority and Women's Business Enterprise (M/WBE) program following a court injunction in 2004 prohibiting use of racial preferences in awarding public contracts.

Each of the above contracts includes DBE subconsulting participation of 20% as determined by the Port's HRC Contract Compliance Officer. This subconsulting goal applies to the entire contract dollar amount for work awarded under cumulative Contract Service Orders over the life of the contract. It should be noted that six (6) out of the twelve (12) contracts awarded include a joint venture relationship with a DBE firm. Therefore, these new contracts will include DBE participation at both the prime (direct) contracting level, as well as the subconsulting (indirect) contracting level. Thus, by splitting up the contracts, it is anticipated that greater DBE participation will be achieved than under the 2003 as-needed contracts.

Any contractor or member of the public can access payment information to city contractors/vendors on-line through the Controller's Office website: http://www.co.sfgov.org/vpi.

This report provides statistical data based upon actual Contract Service Orders issued and reflects actual M/WBE or DBE participation, as agreed for each CSO during the reporting period.

I. OVERALL USE OF THE CONTRACTS

Port Commission authorization is required on any Contract Service Order (CSO) in excess of $75,000 for the older as-needed contracts and $200,000 limit for any Contract Service Order issued under the new as-needed contract pools.

The status of each project's utilization of the as-needed contracts is available on the Port intranet for Project Managers/Project Engineers/Project Coordinators to access in planning their projects. As such, projects approaching the threshold levels for Port Commission authorization or separate procurement can be planned accordingly.

A. Older As-Needed Contracts

M/WBE Sub-consulting Participation
MBE GOAL: 16% WBE GOAL: 8%

The Minority Business Enterprise (MBE) sub-consulting goal for each of the awarded as-needed contracts is 16%. **(These goals are grandfathered in by San Francisco Administrative Code Section 14(A)-Disadvantaged Business Enterprise Program - DBE)** The Women Business Enterprise (WBE) sub-consulting goal for each of the awarded as-needed contracts is 8%.

The following chart represents MWBE utilization based upon CSOs issued for the 2nd Quarter of FY 2006-07. **The HRC has determined that both firms have made good faith efforts to meet the original MWBE goals established for the entire contract term.**

HRC Minority and Women Business Enterprise Utilization (Cumulative)
(Based Upon Contract Service Orders Issued)

HRC Minority and Women Business Utilization for THE REPORTING PERIOD (October 1, 2006 – December 31, 2006)						
		MBE AMOUNT		WBE AMOUNT		TOTAL CSO AMT.
		2nd Qtr	Cumulative	2nd Qtr	Cumulative	
1	**Parsons, Brinckerhoff, Quade and Douglas, Inc.**	$8,374.10	$160,566.10	0	$68,418.19	$1,301,131
	% ACTUAL TOTALS	**0%**	**12%**		**5.2%**	**17%**
	Status		**below**		**below**	**below**
2	**Moffatt and Nichol Engineers, Inc.**	$45,370	$67,683	0	$56,090.50	$616,803.84
	% ACTUAL TOTALS	**7.3%**	**11%**		**9%**	**20%**
	Status		**below**		**above**	**below**
	SUBCONSULTING GOALS*		**16%**		**8%**	

*Per each contract: The MBE/WBE subcontracting participation goal for this contract is 24%. (16% MBE; 8% WBE)

As-Needed Contract Service Orders for the 2nd Quarter

Parsons, Brinckerhoff, Quade and Douglas, Inc.

PB CHANGES IN CONTRACT SERVICE ORDER DURING THE REPORTING PERIOD (July 1, 2006 - December 31, 2006)				
CSO #	**TASK NAME**	**PRIOR PERIOD AMT.**	**CURRENT PERIOD AMT.**	**$ CHANGE**
PB-16	Pier 35 Façade Improv	$34,540.74	$44,492.60	$9,051.86

Moffatt & Nichol Engineers Inc.

MN CHANGES IN CONTRACT SERVICE ORDER DURING THE REPORTING PERIOD (July 1, 2006 - December 31, 2006)				
CSO #	**Task Name**	**Prior Period Amount**	**Current Period Amount**	**$ Change**
MN-15	Drydock #1 Disposal	$18,845	$184,427	$165,582

Note: Work on Contract Service Order #MN-15 for Drydock Disposal consulting services is behind schedule due to on-going access problems. Therefore, it is highly likely that the contract will need to be extended again beyond July 31, 2007.

B. Newer As-Needed Contract Activity

As specified by city ordinance San Francisco Administrative Code Section 6.64, the new as-needed contracts have a $200,000 limit for the Construction-related professional services. An exception exists in the event that the department head makes a declaration of urgency to exceed that $200,000 limit. However, the Port Commission in its authorization to award these contracts required its explicit approval in such instances. Although non-construction-related professional service as-needed contracts do not have such a limit in accordance with city ordinance, the Port Commission authorization is limited to $200,000 without Port Commission prior approval.

2nd Quarter Contract Service Order Activity

Description of Work	CSO Amount	Project	AWARD STATUS
Stormwater Post Construction Control Design Guidelines and Public Outreach (As-Needed Environmental)	$199,125.00	Port/PUC Project	Treadwell & Rollo/Hydroconsult JV
Preparation of a Conceptual design for water collection and conveyance system (As-Needed Environmental)	$67,688.00	Pier 45 Drainage	Weiss Associates
Rapid Structure Assessments (As-Needed Architectural & Engineering)	$29,494.08	Port Substructures and Superstructures Inspections	Creegan & D'Angelo
Pier 35 Improvements (As-needed Architectural & Engineering)	$29,625.09	Pier 35 Façade and related improvements	Creegan & D'Angelo
Cruise Terminal Concept Development	$163,035.65	Piers 30/32	Award pending Ethics Commission Waiver to add PMG as sub to Creegan & D'Angelo team and 1/07 BOS funding release
Provide technical support to Port staff in evaluating environmental conditions, feasibility study of remedial alternative, risk assessments and proposed remedial action.	$9,773.00	Former ExxonMobil Fuel Terminal Remediation	Weiss Associates
Independent Pier Review of Cost Analysis to support Planning efforts on Shorenstein Project. (As-Needed Architectural & Engineering)	$50,000	Peer Review of Substructure Cost Analysis (Piers 27-31)	CSO was issued to Creegan & D'Angelo, but work deemed no longer required by the Port.
TOTAL AMOUNT	**$548,740.82**		

DISADVANTAGED BUSINESS ENTERPRISE (DBE) 2nd QUARTER PARTICIPATION

Consultant	CSO Title	CSO Amount	DBE	DBE Dollar Amount	DBE Dollar %
Treadwell & Rollo/Hydroconsult JV	Stormwater Design Guidelines	$199,125	Thier Public Relations	$39,442	
TOTAL		*$199,125*		*$39,442*	*19.8%*
Weiss Associates	Pier 45 Drainage	$67,688	-Water Resources Engineering -Carey & Company	$6,063 $4,271	
	J-10 Technical	$9,773	SCA Environ	$2,218	
TOTAL		*$77,461*		*$12,552*	*16.2%*
Creegan & D'Angelo	Substructure RSAs	$29,494	None	0	0
	Pier 35 Improvements	$29,625	YEI Engineers	$27,002.26	
TOTAL		*$59,119*		*$27,002.06*	*45.6%*
SUBCONSULTING GOAL (DBE)				**20%**	

Real Estate Economics and Related Services Contract Service Order Activity for the Reporting Period of October 1, 2006 through December 31, 2006

Description of Work	Estimated Dollar Amount	Project	AWARD STATUS
Produce an economically viable master land use and development plan for the Pier 70 area.	$200,000	Pier 70 Master Plan	RFP issued; pending CSO award to Economic & Planning Systems Inc. *
Consulting services for on-going due diligence analysis of proposed development.	$58,010	Piers 27-31 Mixed Use/Recreation	Bay Area Economics, Inc.
TOTAL AMOUNT	$258,010		

*Pending Planning & Development negotiations on the scope of work to keep the initial fee under $200,000.

DISADVANTAGED BUSINESS ENTERPRISE (DBE) 2nd QUARTER PARTICIPATION

Consultant	CSO Title	CSO Amount	DBE	DBE Dollar Amount
Bay Area Economics, Inc.	Piers 27-31 Mixed Use Recreation Project	$58,010	None	None*
TOTAL				**0**
SUBCONSULTING GOAL (DBE)				**15%**
Status				**below**

*Approved by the Port's Human Rights Commission Contract Compliance Officer.

Cumulative Activity through December 31, 2006

	FIRM/TEAM NAME	CSO TOTALS	DBE AMOUNT		DBE %	
			2nd Qtr	Cumulative	2nd Qtr	Cumulative
1	Bay Area Economics, Inc.	$58,010	0	0	0	0
2	Creegan & D'Angelo	$273,559	$27,002	$62,802	45.6%	22.95%
3	Treadwell & Rollo/HyrdroConsult JV	$199,125	$39,442	$39,442	19.8%	19.8%
4	Weiss Associates	$77,461	$12,552	$12,552	16.2%	16.2%

The HRC has determined that all of the firms have made good faith efforts to meet contract DBE goals over the life of the contract for this reporting period.

II. ANTICIPATED AS-NEEDED CONTRACTING ACTIVITY FOR THE UPCOMING QUARTER (January 1, 2007 – March 31, 2007)

Construction-related Professional Services

Description of Work	Estimated Dollar Amount	Project
Engineering design, drawings and specs (As-Needed Environmental)	$75,000	Amador Street Extension Vegetated Swale
Stormwater Sampling Support/Group Monitoring Program Evaluation	$50,000	Stormwater Sampling and Program Evaluation
Dredging Inspection Services (As-Needed Construction Support Services)	$30,000	Maintenance Dredging
Environmental Education and Outreach (As-Needed Environmental)	$30,000	Fisherman's Wharf Public Outreach
Investigation, sampling, and laboratory analysis for site investigation and risk assessment report (As-Needed Environmental)	$140,000	Pier 70 Shoreline Env Site Investigation
Assessment & Repair Plan	$49,000	Wharf J-9 CAL Shell Fish Building
Emergency Power	$50,000	Pier 50
Historic Preservation & Design for Exterior Façade, Structural and related improvements (As-Needed Architectural & Engineering)	$75,000	Pier 35 Improvements
Utility digitizing & mapping	$200,000	Portwide
Provide construction administration and support for project designed by Creegan & D'Angelo) (As-Needed Construction Support Services)	$75,000	Illinois Bridge – South Approach
Provide inspection and feasibility analysis of existing UPRR railroad tracks and future link.	$20,000	Illinois Bridge – South Approach
Provide Office Engineer Construction Support Services	$130,000	Illinois Bridge – South Approach
Provide certified inspection services for prefabricated pre-stressed concrete panels	$5,000	Pier 52 Boat Launch Project
TOTAL ESTIMATED AMOUNT	**$929,000**	

Real Estate and Related Consulting Services

Description of Work	Estimated Dollar Amount	Project
Research and analysis of trends in the cargo shipping industry.	$25,000	Piers 80 & 94-96
Market Analysis of Recycled Construction Materials	$25,000	Piers 94-96 Backlands Concrete Materials Project
Economic/development feasibility analysis of the Agriculture Building, the Ferry Building Parking Structure, and related Design Plans for nearby open space areas.	$100,000	Ferry Building Area Planning
Community planning and economic/development feasibility analysis for SWL 337.	$100,000	SWL 337 Planning
TOTAL ESTIMATED AMOUNT	**$250,000**	

III. STAFFING NUMBERS AND PROJECTS

Local 21 Staffing Activity for Fiscal Year 06/07
2ND Quarter: 10/1/06 through 12/31/06

Class/Title	Activities
0923 Manager II (Development Project Coord.)	Employee resigned; permanent replacement made eff. 11/6/06.
1054 Prin Business Analyst	Employee resigned; Position filled thru a permanent transfer from other city department eff. 12/4/06
1824 Prin Admin Analyst	Employee accepted a promotion at the Airport eff. 4/24/06. Position previously TX'd to 1823; not filled at this level. Position restored to budgeted class; recruitment & selection made in Class 1824; employee started 1/2/07.
5241 Engr (Civil)	Employee transferred to PUC. PCS recruitment from eligible list held in September; selection made; employee started on 2/12.
5241 Engr (Mech)	Employee retired. PCS recruitment from eligible list held in September; appointment made eff. 11/20/06.
5382 Student Design Trne III	Temporary exempt positions - full time for the summer and employees may be continued during the school year, depending on funding, workload and school schedule. • 2 positions in Planning (both positions vacant; temporary exempt recruitment to open in Nov.) • 2 positions in Engineering are still encumbered.
9386 Sr. Property Manager	Employee accepted a promotion in an MCCP class; panel interviews from eligible list held in September; appointment made 12/11/06.

Projects

See Section II. ANTICIPATED AS-NEEDED CONTRACTING ACTIVITY FOR THE UPCOMING QUARTER (October 1, 2006 - December 31, 2006)

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Fiscal Year 2007-08 Operating Budget

DIRECTOR'S RECOMMENDATION: APPROVE ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2007-08

The purpose of this item is to request Port Commission approval of the Port's proposed Fiscal Year 2007-08 operating budget. Following Port Commission approval, the budget will then be reviewed by the Mayor's Budget Office, which will submit the budget to the Board of Supervisors by the first of May 2007. The Board will give final consideration to the budget on or about July 31, 2007. The proposed Fiscal Year 2007-08 Overall Budget is summarized as follows:

	Budget 06/07	Budget 07/08	Increase / (Decrease) Amount	Percent
Sources				
Estimated Fund Balance	$15,170,147	$14,326,174	($843,973)	-5.6%
Revenue	57,927,550	61,197,550	3,270,000	5.6%
Total Sources	$73,097,697	$75,523,724	$2,426,027	3.3%
Uses				
Operating Expense	$56,496,116	$59,764,802	$3,268,686	5.8%
Capital Appropriations	9,353,500	7,742,800	(1,610,700)	-17.2%
Operating Reserve	7,248,081	8,016,122	768,041	10.6%
Total Uses	$73,097,697	$75,523,724	$2,426,027	3.3%
Operating Reserve as a Percent of Operating Expense	13%	13%		

This Print Covers Calendar Item No. 8A

The table above identifies all of the Port's revenue sources including use of fund balance that the Port uses to fund capital projects and the budgeted operating reserve. We propose using surplus operating revenues to help fund the Port's FY 2007-08 capital budget. As such, the above table includes both operating and capital budgets providing a clearer picture of the Port's expenditure budget.

With respect to the operating budget, we project operating revenues to increase by $3,270,000 or 5.6% from FY 2006-07 and operating expenses to increase by $3,268,686 or 5.8%. Additionally, we propose to increase the Port's operating reserve by $768,041 to maintain it at 13% of operating expenses. Credit rating agencies have advised Port staff that it is prudent to budget for an operating reserve of 15% to 25% of operating expenses to cover unexpected extraordinary expenses such as loss of revenues due to an earthquake. While the 13% falls short of the 15% goal, it is still greater than the City's General Fund operating reserve of 2.6%.

Each of the primary increases and substantive changes to the Port's FY 2007-08 budget is described in more detail below.

Revenue

The proposed revenue budget of $61,197,550 for FY 2007-08 reflects a $3,270,000 increase or 5.6% greater than the FY 2006-07 budget. Projected revenues for FY 2007-08 are as follows:

	Budget 06/07	Budget 07/08	Increase/(Decrease) Amount	Percent
Cargo	$4,340,000	$4,345,000	$5,000	0.1%
Ship Repair	895,000	1,000,000	105,000	11.7%
Harbor Services	860,000	995,000	135,000	15.7%
Cruise	1,825,000	1,550,000	(275,000)	-15.1%
Fishing	1,892,000	1,892,000	0	0%
Other Marine	1,067,000	1,407,000	340,000	31.9%
Commercial/Industrial	34,828,000	36,513,000	1,685,000	4.8%
Parking	8,861,000	9,492,000	631,000	7.1%
Filming	25,000	25,000	0	0%
Special Events	100,000	100,000	0	0%
Miscellaneous Services	101,250	101,250	0	0%
Facility Damage	6,000	6,000	0	0%
Permits	684,000	710,000	26,000	3.8%
Miscellaneous Repairs	30,000	30,000	0	0%
Negotiation Fees	340,000	350,000	10,000	2.9%
Interest on Investments	1,500,000	2,108,000	608,000	40.5%
Penalties & Svc. Charges	19,300	19,300	0	0%
Miscellaneous Receipts	554,000	554,000	0	0%
	$57,927,550	$61,197,550	$ 3,270,000	5.6%

The major changes in the FY 2007-08 revenue budget compared to the prior fiscal year are in Ship Repair, Harbor Services, Cruise, Other Marine, Commercial/Industrial Rent, Parking, and Interest on Investments as a result of the following:

- Ship Repair revenues are projected to increase by 11.7% based on actual percentage rent collected in the current fiscal year.

- Harbor Services revenues are projected to increase by $135,000 or 15.7% based on rent increase from the renegotiated lease with Westar offset by anticipated rent decrease related to substructure repairs at Pier 54.

- Cruise revenues are projected to decrease by $275,000 or 15% based on an anticipated decline in passenger vessel calls and volumes in FY 2007-08 as booked through calendar year 2007 and anticipated for the first part of calendar year 2008.

- Other Marine revenues are projected to increase by $340,000 due to increased lay berth activity experienced in FY 2006-07 as well as the new lease with the Water Transit Authority at Pier 9.

- Commercial/Industrial rent is expected to increase by $1,685,000 or 5% primarily due to new leases with the Department of Elections at Pier 48 and the Public Utilities Commission (PUC) at seawall lot (SWL) 356 with a combined total value of $1,318,000. In response to Commissioner Brandon's question regarding more details about the PUC lease, the PUC lease would be a two-year duration that Port staff intend to bring to the Port Commission sometime after April 2007. The PUC will use SWL 356 for the peaker plant construction project's lay down space.

- Parking revenue is projected to increase by $631,000 or 7% primarily due to increased usage of parking lots around the China Basin area.

- Interest on investments is projected to increase by $608,000 or 41% due to increased interest rates.

Expense

The proposed FY 2007-08 expense budget of $59,764,802 is a $3,268,686 increase, or 5.8% over the prior fiscal year. The expense summary for FY 2007-08 is as follows:

	Budget 06/07	Budget 07/08	Increase / (Decrease) Amount	Percent
Salaries & Benefits	$25,270,786	$27,418,973	$2,148,188	8.5%
City-wide Overhead	1,278,241	89,063	(1,189,178)	-93.0%
Other Current Expenses	7,454,202	8,262,789	808,587	10.9%
Materials & Supplies	1,414,162	1,281,908	(132,254)	-9.4 %
Fixed Charges	665,875	670,504	4,629	0.7%
Capital Outlay	313,866	1,087,687	773,821	246.6%
Facilities Maintenance	2,918,983	3,586,018	667,035	22.9%
Debt Service	4,705,170	4,709,845	4.675	0.1%
ADM - Insurance & Risk	1,997,944	1,997,944	0	0.0%
City Attorney - Legal Services	2,318,000	2.433,900	115.900	5.0%
Fire Protection Services	2,296,185	2,525,804	229,619	10.0%
DHR – Workers Compensation	1,103,703	1,158,888	55,185	5.0%
PUC - Light, Heat & Power	1,432,409	1,432,409	0	0.0%
All Other Departments	3,042,828	2,805,904	(236,924)	-7.8%
Interdepartmental Recovery	(104,325)	(104,325)	0	0.0%
Revenue Transfer Out - DPT	388,087	407,491	19,404	5.0%
	$56,496,116	$59,764,802	$3,268,686	5.8%

The major changes in the FY 2007-08 expense budget over the prior fiscal year are in Salaries and Fringe Benefits, City-wide Overhead, Other Current Expenses which includes Professional and Specialized Services, and Facilities Maintenance and Annual Projects, Capital Outlay, and Fire Protection Services. As described below, of the proposed $3,268,686 increase approximately $2 million or 61% will fund one-time costs such as professional services, equipment, facility maintenance and annual projects. The remaining $1.2 million will fund continuing expenses which are primarily salaries and mandatory fringe benefits.

- Salaries and mandatory fringe benefits are projected to increase by a total of $2,148,188 or 8.5% of which $1,286,263 is due to increases to pension and health plan costs. The remaining $861,925 or 4.5% increase in salaries is due to annualization of the 7% increase in salaries granted in the City's MOUs negotiated in FY 2006-07. In addition, as described in more detail below, we are requesting two new positions, transfer one position from the Port's Capital Budget to our Operating Budget and five position upgrades.

- The Port's share of City-wide Overhead is projected to decrease by $1,189,178 or 93%, based on staff's calculation of the Port's portion of Citywide overhead costs from the Controller's County-wide Cost Allocation Plan (COWCAP).

- Other Current Expenses - Professional and Specialized Services have increased overall by $505,734 or 61.3% primarily to fund: (1) $100,000 to develop a scope of work for the tunnel and rail improvements that we anticipate to receive state Proposition 1B funding to construct, and (2) $100,000 to fund engineering services to install shoreside power at Pier 35, (3) $75,000 to review existing cargo terminal designations and recommend changes with current and future business opportunities, and (4) $225,000 for consultant services to assist staff in conducting economic analyses and site planning studies prior to issuing Request for Proposals, reviewing financial proposals and negotiating development agreements for various development projects including the Pier 70, Piers 90-96 Backlands, the Exploratorium, and Piers 27-31 Mixed Use recreation Project.

- Facilities Maintenance and annual project costs are projected to increase by $667,035 primarily due to (1) $500,000 to fund architectural and engineering services to develop project conceptual designs for Port capital projects, including developing construction documents for the Pier 38 apron repairs as required in the Port's lease with the Pier 38 tenant, and (2) $140,435 to complete the Port's Oracle financial systems upgrade project and integration to the City's FAMIS accounting system.

- Capital Outlay is expected to increase by $773,821 or 246.5% to fund (1) replacing 13 of the Port's Maintenance Division trucks that are significantly beyond their 10-year useful lifespan, (2) one new high lift fork-lift to assist with loading materials on roof tops to support roof replacement and repair operations, (3) two new 25 Kw generators to provide back-up power for sewer pump stations, (4) one new sidewalk scrubber, and (5) a new 24-foot survey boat with permanently installed survey equipment, dual motors, and trailer for the Port's Engineering Division to survey the Port's piers and related facilities.

- Fire Protection is estimated to increase by $229,619 or 10% based on estimated MOU wage increases and fringe benefit increases.

Staffing Changes Proposed in the Port's FY 2007-08 Budget

The following two new positions and one transferred position are contained in the Port's proposed FY 2007-08 budget:

(New) 5207 Associate Engineer – annual salary $103,984

This position will assist the Port's Engineering Division's Utilities Section with designs for the electrical systems, interior and exterior lighting, electrical power and telephone distribution, electronic security systems, fire alarms, emergency power as well as perform permit plan checking and inspections. The Port currently has 2.0 FTEs to provide electrical engineering services which have been inadequate given the amount of work required to maintain electrical systems throughout various Port facilities.

(New) 0923 Manager 1 – annual salary $104,113

This position will support the Port's Homeland Security Director including training Port staff on homeland security and emergency operations and response, maintaining and updating Port security and emergency response plans, developing and implementing security and emergency response exercises, and coordinating on a daily basis with the Port's unarmed security guard contractor.

(Transfer from Capital Budget) 1022 IS Administrator II – annual salary $78,222

The Port is nearing completion of its multi-year project to upgrade its network and systems infrastructure whose aging components were on the verge of failure. The upgrade is comprehensive including storage area network, switches, server consolidation, new back-up system and security appliance, and converting from Novell Netware to Microsoft Windows operating system. The Port hired a 1022 IS Administrator II to help implement these upgrades and improvements. The Port has had 2.0 FTEs to manage and maintain the Port's network, systems, and desktop computers. Through the upgrade project, we have learned that the third position is essential to proper systems maintenance.

The following five position reclassifications are proposed in the Port's FY 2007-08 budget:

4.0 FTE Information and Technology Positions – total annual salary increase $77,821

1022 IS Administrator II	($78,222)
1042 IS Engineer-Journey	$106,827
1023 IS Administrator III	($95,802)
1042 IS Engineer-Journey	$106,827
1024 IS Administrator-Supervisor	($102,338)
1043 IS Engineer-Senior	$118,344
1070 IS Project Director	($124,236)
1071 IS Manager	$146,421

As noted above, the Port is completing a comprehensive computer system upgrade. In the process of researching, designing and implementing this new infrastructure, Port systems and network staff increased their skills and experience base significantly. The new infrastructure is far more complex and state-of-the-art, and requires the broader and deeper skill set of IS Senior and Journey level Engineers. The proposed position upgrades will provide the level of expertise required to maintain the new upgraded systems.

Real Estate Division Administration – salary increase $24,206

1842 Management Assistant	($67,314)
1827Administrative Services Manager	$91,520

The Real Estate Division has had an 1824 Principal Analyst to manage the Division's administrative functions including tenant billings, overseeing the Division's lease management computer application, and supervising clerical and other administrative staff. This position has also provided analytical support to the Division such as analyzing lease opportunities to determine optimal uses for the facility, evaluating potential tenants' ability to pay rent, projecting lease revenues, developing collection policies, developing Port asset strategic plans, etc. Since the day to day administration of the Real Estate Division tends to consume the 1824 Principal Analyst's time, the analytical projects would often fall to a lower priority and not get done. To better manage the two areas of responsibility, we are proposing to reclassify a vacant 1842 Management Assistant position to an 1827Administrative Services Manager position and have the new position manage all of the

administrative responsibilities of the Real Estate Division and allow the 1824 Principal Analyst position to focus on analytical projects for the Real Estate Division.

Summary

The Port's proposed FY 2007-08 budget reflects the Port's efforts to fund one-time projects that will enable the Port to repair and upgrade its facilities through development studies and engineering designs and plans. In addition, we propose to replace several extremely old trucks in the Port's Maintenance Division which will allow us to purchase cleaner fuel efficient vehicles. Finally, the Port's FY 2007-08 budget provides funding to finalize the Port's Oracle upgrade project as well as better staff its information and technology system and projects that will provide the Port with robust, flexible systems and network infrastructure.

Our policy direction for the Port's budget is to conservatively program on-going operating budget expenses such that if there is a sharp decline in revenues, we can easily adjust our expenditures. In addition, we want to budget as much one-time costs as possible to address the Port's strategic goals of developing and maintaining its property.

Port staff recommends that the Commission adopt the proposed annual operating budget and authorize the Executive Director to make non-material changes to the budget as may be necessary. If we make material changes to the budget such as add or delete positions or increase or decrease revenue estimates, we will return to the Commission for approval before we submit the budget to the Board of Supervisors. No such material changes are anticipated at this time.

Non-material changes are generally technical adjustments to the budget, not policy changes. Examples of non-material changes include updates to the budget for salaries and fringe benefits as City-wide MOU's are finalized or adjustments to work order amounts with other City departments as cost estimates are finalized. Once Mayor Gavin Newsom's Office and the Board of Supervisors finalize the budget, staff will return to the Commission with the adopted budget, detailing all changes made by staff, the Mayor and the Board.

Prepared by: Tina Olson, Deputy Director, Finance and Administration

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-15

WHEREAS, Port Commission staff has developed a proposed Fiscal Year 2007-08 operating budget; and

WHEREAS, The proposed operating budget includes projected revenues of $61,197,550; and

WHEREAS, The proposed operating budget includes projected expenses of $59,764,802; and

WHEREAS, The proposed operating budget includes a deposit of $768,041 to the Port's operating reserve and $664,707 to the Port's FY 2007-08 capital budget; and

WHEREAS, The operating budget must also be approved by Mayor Gavin Newsom and the Board of Supervisors; now therefore, be it

RESOLVED, That the Port Commission hereby approves the Fiscal Year 2007-08 operating budget as presented by staff; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director to make non-material changes to the operating budget as may be necessary.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney A. Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request Approval of Proposed $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08.

DIRECTOR'S RECOMMENDATION: APPROVE THE CAPITAL BUDGET FOR FISCAL YEAR 2007/08

Attached is the proposed Fiscal Year 2007/08 Capital Project Budget for the Port Commission's review and approval. The FY 2007/08 proposed budget provides $7,742,800 in Port funding for capital projects as detailed in Exhibit 1.

Over the past several months, the Executive Director, the Capital Project Budget Committee (CPBC) (comprised of the Port's Deputy Directors and the Chief Harbor Engineer), and other key Port staff met to review and prioritize capital project funding requests for FY 2007/08 that were submitted by the Port's Divisions. The Executive Director and CPBC used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) health and safety issues; (ii) completion of funding for projects that are currently underway; (iii) preservation of Port assets; (iv) prevention of loss of revenue to the Port; and v) maintenance of Port facilities. Funding for these projects will be provided by the unappropriated balance from the Port's operating fund, and the partial defunding of one previously approved capital project.

The capital project budget that staff is proposing for FY 2007/08, shown in Exhibit 1, includes funding for the Port's maintenance dredging program for next year, exterior and structural repairs to the Noonan Building located at Pier 70, the initial phase of a complete overhaul of Piledriver No.1, and the removal of a portion of the sidewalk in front of Pier 33 that protrudes into The Embarcadero roadway and causes traffic congestion on days that cruise ships call at the Port. Also included in the proposed capital project budget is additional funding for: (i) various Port capital projects established to repair the pier structures, utility infrastructure and roofs of Port

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facilities, (ii) railroad track maintenance, and (iii) a capital project established for physical improvements to Port facilities to make them more accessible to the disabled. Lastly, the proposed capital project includes funding for homeland security improvements throughout the Port including improved fencing, barricades, security cameras, communications improvements, and networking systems.

Project funds would be available for either direct financing of improvements, or for local matches to homeland security enhancement grants awarded to the Port. Port staff is currently in the process of applying for approximately $3 million in Homeland Security grants.

The Port has historically maintained a certain level of unappropriated funding (known as an operating reserve) in the operating fund for emergencies and other operating contingencies. One time, unappropriated operating fund balances in excess of those held for the operating reserve are available to fund capital projects. The estimated amount of total funding available for capital projects and operating reserves is $15.76 million for FY 2007/08. This available funding consists of the following:

	Operating Fund
Unappropriated Fund Balance – FYE 2005/06	$12,744,740
Budgeted Revenues less Expenses – FY 2006/07	1,431,434
Partially Defund Pier 80 High Mast Lighting Project	150,000
Estimated Fund Balance as of FYE 2006/07	$14,326,174
Plus: Proposed Revenues less Expenses - FY 2007/08	1,432,748
Total Available Funding	$15,758,922

The Maritime Division asked that funding for the Pier 80 High Mast Lighting project be reduced by $150,000, and that the funds be added to their Pier 80/92/96 Rail Track Maintenance project. Maritime staff have indicated that the remaining funds in the Pier 80 High Mast Lighting project will be sufficient to complete the required lighting repairs.

Funding the FY 2007/08 Capital Project Budget as proposed would result in an operating reserve of $8.0 million, or 13.41% of the FY 2007/08 operating expense budget as shown in the table below:

	Operating Fund
Total Unappropriated Funding Available	$15,758,922
Less: Proposed FY 2007/08 Capital Project Budget	($7,742,800)
Operating Reserve (13.41% of FY2007/08 Expenses)	$8,016,122

Based on the Port's existing capital project needs and available funding, Port staff submits to the Port Commission the attached proposed Capital Project Budget for Fiscal Year 2007/08, and recommends its approval for submission to Mayor Newsom and the Board of Supervisors, as detailed in the proposed resolution attached to this memorandum. Port staff will return to the Port Commission for its approval of any changes to the Capital Project Budget after the Board of Supervisors reviews it.

Prepared By: Lawrence Brown, Financial Analyst
For: Tina Olson, Deputy Director, Finance

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-16

WHEREAS, The Port has available funds for capital projects in the amount of $7,742,800 held in its Operating Fund which is derived from a combination of accumulated reserves, a budgeted surplus from the FY 2006/07 operating budget, and a surplus from the proposed FY 2007/08 operating budget, and

WHEREAS, Port staff has identified the following capital projects which warrant the allocation of $7,742,800 in funding for Fiscal Year 2007/08:

Pier 33 to 35 Curb Cut Project
Pier 70, Building 11 Exterior Maintenance
Pier 80/92/96 Rail Track Maintenance
Dredge Testing – FY 2007/08
Maintenance Dredging – FY 2007/08
Roof Repair Project
Port ADA Transition Plan
Pier Structures Repair Project, Phase II
Utilities Project
Piledriver No. 1 Drydock and Repair
Homeland Security Enhancements;

Now, therefore, be it

RESOLVED, That the Port Commission hereby authorizes the funding of $7,742,800 from the Operating Fund to fund these projects which have been designated as having high priority; and, be it further

RESOLVED, That the Port Commission hereby approves the FY 2007/08 Capital Project Budget in the amount of $7,742,800 as developed by staff and attached to the staff report dated February 22, 2007, accompanying this resolution; and, be it further

RESOLVED, That staff is directed to submit the FY 2007/08 Capital Project Budget in the amount of $7,742,800 to Mayor Gavin Newsom and the Board of Supervisors for approval; and, be it further

RESOLVED, That after the FY 2007/08 Capital Project Budget has been approved by Mayor Newsom and the Board of Supervisors, staff will return to the Port Commission to report on the adopted Capital Project Budget, and detail any changes made by staff, the Mayor, or the Board of Supervisors for the Port Commission's approval.

I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2007.

Secretary

EXHIBIT 1

Capital Projects
Proposed Funding for FY 2007/08

Project	Operating Fund	Previous CP or Other Funding	Total Project Funding
Northeast Waterfront			
Pier 33 to 35 Curb Cut Project	200,000	0	200,000
Southern Waterfront:			
Pier 70, Bldg 11 Exterior Maintenance – Add'l Funding	142,500	57,500	200,000
Pier 80/92/96 Rail Track Maintenance – Add'l Funding	150,000	166,786	316,786
Portwide Projects:			
Dredge Testing – FY 2007/08 Program	330,000	0	330,000
Maintenance Dredging – FY 2007/08 Program	2,670,800	0	2,670,800
Roof Repair Project – Add'l Funding	1,200,000	1,919,000	3,119,000
Port ADA Transition Plan – Add'l Funding	500,000	633,961	1,133,961
Pier Structures Repair Project, Phase II	1,007,500	0	1,007,500
Utilities Project – Add'l Funding	1,000,000	1,175,000	2,175,000
Piledriver No.1 Drydock & Repair	292,000	0	292,000
Homeland Security Enhancements	250,000	0	250,000
Total Proposed Project Funding	**$7,742,800**	**$3,952,247**	**$11,695,047**

FY 2007/08 CAPITAL PROJECT BUDGETS

Project Name	Amount	Description
Pier 33 to 35 Curb Cut Project	$200,000	The project funds the removal of a portion of the sidewalk in front of Pier 33 that protrudes into The Embarcadero roadway On cruise ship days, cars and taxis dropping off passengers protrude into a North bound traffic lane of The Embarcadero creating traffic congestion. Removing the sidewalk protrusion will provide additional space for parking and queuing of cars & taxis on cruise ship days, thereby reducing traffic congestion and improving North bound traffic flow on The Embarcadero. The project scope includes: - Removal of approximately 150 feet of curb & gutter, and 1,800 square feet of sidewalk; - Relocation of a Muni overhead pole, and a fire alarm pole; and - Reconstruction of approximately 150 feet of curb & gutter, 600 square feet of sidewalk, and 1,200 square feet of roadway.
Pier 70, Bldg 11 Exterior Maintenance – Add'l Funding.	$142,500	This project funds the replacement of damaged wood structural framing and exterior siding on Pier 70, Building 11; commonly known as the Noonan building. Painting the building's exterior is also included. These repairs are needed to maintain the building's structural integrity, and to protect the exterior against water infiltration. The repairs required are more extensive than originally anticipated; and, as a result, $142,500 in additional funding is needed to complete the project. The total cost of the project is $200,000.
Pier 80/92/96 Rail Track Maintenance – Add'l Funding	$150,000	This project funds the repair and/or replacement of several sections of deteriorated railroad track at Piers 80, 92, and 96. Failure to maintain the Port's railroad trackage can ultimately lead to track failure and derailment of locomotive and railcars. $150,000 in additional funding is needed to fully fund the railroad track repairs, bringing the total project cost to $316,786.
Dredge Materials Testing - FY 2007/08	$330,000	This project will fund testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities planned for FY 2007/08.
Maintenance Dredging - FY 2007/08	$2,670,800	This project will fund the Port's dredging activities for FY 2007/08. More specifically, the project will fund dredging at Piers 27, 35, 80, 92, and Islais Creek Channel. Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.

FY 2007/08 CAPITAL PROJECT BUDGETS (cont.)

Project Name	Amount	Description
Roof Repair Project – Add'l Funding	$1,200,000	This project provides funding for the (partial and full) replacement of, and repairs to, the roofs and related roofing systems of the Port's buildings and sheds in order to stop water infiltration. On-going leaks contribute to dry rot of wooden structural components and potential liability claims. Dry rot, in turn, leads to the deterioration of the structural integrity of the affected Port facilities, which over time will require major structural repairs at a much higher cost. To date, $1,919,990 has been appropriated for this project; most of which has been committed for specific roofing projects. $1,200,000 in additional funding is now needed to repair the roofs at Pier 33 and Pier 80 Shed A. Funding provided by this project is also available for repairs to roofing systems at other facilities as needed, as well as for labor and the cost of equipment as needed to facilitate the repairs.
Port ADA Transition Plan – Add'l Funding	$500,000	This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. Port staff have determined that additional funding is needed for accessibility-related improvement projects at the 501 Caesar Chavez Building, Pier 45, Aqua Vista Park, Islais Creek Park, Cargo Way, Terry Francois Blvd. and Little Embarcadero in Fisherman's Wharf, among others.
Pier Structures Repair Project, Phase II	$1,007,500	The original Pier Repair project (Phase I) financed engineering, permitting, inspection and repair of or improvements to the Port's pier substructures. To date $6,054,064 has been appropriated, almost all of which as been committed for 25 different projects. The large number of individual projects financed by this project, has made it impractical to fund and track new pier repair projects through this funding source. As a result, a new project, the Pier Structures Repair Project - Phase II, is needed to fund and track the Port's new pier repair capital projects beginning in FY 2007/08. This project (Phase II) funds engineering, permitting, inspection and repair of or improvements to the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. Funding is needed to make repairs to the Pier 9 & 35 aprons. Funding provided will also cover pier-related repairs at other facilities as required. Repairing the Port's pier structures is necessary to ensure: i) the continued safe operation of the Port's pier superstructures and buildings, ii) the preservation of lease revenues, and iii) the extension of the economic life of the Port's pier and marginal wharf assets.

FY 2007/08 CAPITAL PROJECT BUDGETS (cont.)

Project Name	Amount	Description
Utilities Project – Add'l Funding	$1,000,000	This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, water, electronic security, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. To date, $1,175,000 has been appropriated for this project; almost all of which has been committed for specific utility projects. Additional funds are now needed for fire systems certification, utility mapping, and utility projects at Piers 33, 17, 28, 30/32, 48, & 50. Funding provided will also finance utility-related repairs at other facilities as needed.
Piledriver No.1 Drydock and Repair	$292,000	This project funds the drydocking and complete overhaul of the Port's Piledriver No.1. $292,000 will fund the initial phase of the project consisting of the following: - Sandblasting, painting and making repairs to the hull; - Evaluating the foot print of the crane on the vessel deck to establish structural support required; - Strengthen the top deck of the vessel by double plating the deck. Additional repair work to the vessel will begin when additional funding becomes available and appropriated in a future capital budget.
Homeland Security Enhancements	$250,000	This project will fund Homeland Security improvements throughout the Port including, improved fencing, barricades, as well has security cameras, communications, and networking systems. Over the past several years, the Port has received federal and state grants to fund much of the security and operations improvements along the waterfront. Many of these grants require local match funding (typically 20% - 25% of the project total) as a condition of the grant award. This project will provide $250,000 in funding for Homeland Security improvements including local funding matches for homeland security enhancement grants awarded to the Port.
Total Proposed Project Funding	$7,472,800	

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Port of San Francisco's 10-year Capital Plan

DIRECTOR'S RECOMMENDATION: Adopt the Port's 10-year Capital Plan

Background

As required by the City's Administrative Code 2.30 – 2.31, Port staff updated its comprehensive 10-year Capital Plan to address the Port's outstanding capital needs which is due to the Mayor and Board of Supervisors on March 1, 2007 and is expected to be adopted through Board of Supervisors legislation by May 1, 2007. This Capital Plan assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them. Our goal in developing this Capital Plan continues to be to provide a rational, transparent basis for pursuing public funding and public/private partnerships to address the Port's looming capital crisis.

The Capital Plan prioritizes proposed capital needs and spending in a manner that reflects the Port's institutional values, including; 1) ensuring the safety of the public and our tenants, 2) fiscal responsibility, and 3) fulfilling the Port's mission. The Capital Plan also helps the Port identify facilities and/or piers that may be subject to eventual closure as a result of insufficient funds.

Methodology Used to Develop the 10-year Capital Plan

The Port's Capital Database quantifies the Port's outstanding capital needs, which consist primarily of repair and replacement work required due to deferred maintenance and code compliance (mostly seismic) work. The Port database only estimates the backlog of the Port's capital projects as of 2006, or the "catch up" work; it does not currently provide any estimate of the ongoing capital renewal requirements of the Port. Estimates of how much the Port will need

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every year to replace capital assets that have reached the end of their operable lifespan will be incorporated into the FY 2007-08 iteration of this plan. This Capital Plan does not include all of the costs associated with upgrading a Port facility to accommodate a new use. Rather, we assumed the Port's facilities' uses would remain the same.

In order to assess all of the Port's considerable capital holdings, Port staff developed a per-unit cost methodology for many facilities, which we describe in detail in the 10-year Capital Plan. By its nature, this is an imprecise (albeit accepted) method of estimating potential costs. Where more specific cost estimates were available, often from studies by private development partners or Port engineering reports, we adjusted for inflation and used those costs instead. Whether specific or per-unit, it is important to note that all cost estimates in this capital plan are for *planning purposes only*. Before the Port commences with letting contracts for any capital work, staff will follow the standard practice of preparing detailed engineering estimates suitable for issuing a request for construction bids to complete the work. In the case of work that will be undertaken at the Port's expense (and for which funding is available), this process will conclude with formal bid estimates obtained through the Port's competitive bidding process. Where leases require tenant responsibility for capital improvements, tenants will negotiate directly with contractors to obtain the best price.

We chose to represent the Port's Capital Plan in current dollars (2006) because it is standard practice, generally speaking, for long-term capital planning. Furthermore, given the current lack of funding and a myriad of other constraints, it would be difficult to escalate our Plan with any credibility.

10-year Capital Plan Findings and Recommendations

This review of the Port's capital assets resulted in the development of 677 capital projects, totaling $1.4 billion, primarily in needed seismic and deferred maintenance work.

The table below shows the Port's need distributed among the six regions of the Port waterfront in order of greatest need:

Region	Amount Needed	%
Southern	$534,684	37
Northeast	319,216	22
South Beach	270,383	19
China Basin	123,274	9
Fisherman's Wharf	70,671	5
Ferry Building	63,350	4
Portwide	57,538	4
Other	7,653	< 1
Total	$1,446,769	100%

As illustrated above, over a third of the Port's over all need lies in its Southern waterfront. This is due to the very substantial need of the Pier 70 area, which lies within the Southern waterfront. Specifically, the Port's estimate for the Pier 70 area totals approximately $338.1 million, or about 24% of the Port's overall need.

The Port's 10-year Capital Plan identifies approximately $491 million of potential funding from various sources including Port tenants, the Port's operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds. The table below illustrates the potential amounts available from identified funding sources:

Funding Source	Total 10-year Amount	Percent of Total
Tenant Responsibility	$54,626,907	3.78%
Port Operating Budget	86,600,000	6.00%
Port Revenue Bonds	97,500,000	6.75%
Development Projects	117,259,000	8.12%
Infrastructure Financing District	135,000,000	9.35%
Total Funded	**$490,985,907**	**34%**
Unfunded	**955,783,093**	**66%**
Total 10-year Capital Plan	**$1,446,769,000**	**100%**

Thus, approximately $956 million of the $1.4 billion in identified need are unfunded projects. These are projects for which the Port (1) does not expect to have sufficient funds to cover the estimated costs to repair and upgrade the facility, and (2) has not issued an RFP or entered into negotiations with a developer to finance the upgrades. The Capital Plan identifies several funding options to address this unmet need such as development projects and grant opportunities. The Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and the Bay Conservation and Development Corporation (BCDC).

In short, the Port continues to face the possibility of closing up to seven piers that have the largest unfunded balances (Piers 26, 28, 33, 35, 38, 54, and portions of Piers 50 and 80) in the future if it fails to secure public funding and/or development projects to repair and replace the deteriorated infrastructure. The Port is also close to losing the historic buildings at Pier 70 due to their frail condition.

Major Changes from the Port's FY 2005-06 10-year Capital Plan

Port staff spent more time this year evaluating projects that could be funded through Port revenue bonds, Infrastructure Financing District tax increment funds and General Obligation bond funds as well as revisiting bond financing assumptions. The Port currently assumes issuance costs would be less than it assumed in the FY 2005-06 10-year Capital Plan and that we would be able to secure bond insurance rather than a bond reserve. As a result, the FY 2006-07 10-year Capital Plan programs $97.5 million in revenue bonds rather than $85.9 million. We also reviewed options to fund other smaller projects that could result in increased net operating revenues from such investments. As a result, we added the Agriculture Building, Pier 24.5 and apron and wharf repairs to the list of Port facilities in which the Port would invest its revenue bonds. We also broadened Pier 19 to include Piers 23, 33 and 35 to reflect the fact that we have not begun planning for any of those piers. After such a planning process, it will be clearer which pier(s) would be the best candidate(s) to receive revenue bond financing.

Since the FY 2005-06 10-year Capital Plan, Port staff have researched and analyzed Possessory Interest Tax calculations and refined its debt financing assumptions that resulted in better IFD bond estimates for Port development projects. As a result, the Port estimates issuance of $135 million in IFD debt for two projects – Piers 27-31 and Pier 70 - when the FY 2005-06 10-year Capital Plan estimated $17.5 million in IFD debt for Pier 70. The Port is proposing to issue IFD debt for the Piers 27-31 project to help fund substructure repairs and seismic upgrades required to develop the remainder of the piers using private financing. The Port is also proposing to use IFD funds to cover Pier 70 infrastructure costs which consist of $75 million to construct streets, sewers, water mains, sidewalks, and street lighting as well as environmental clean-up and possibly contribute to renovating a historic building for a public use. There may be other Port development projects for which issuing IFD debt will be necessary to repair and upgrade the Port's property under a private/public partnership. However, as of the writing of this report, the Port has not identified specific sites where it plans to issue a RFP for a development project for which it requires public financing to attract developers.

Port staff also identified the following six open space projects that we have requested be included in the City's Park System Renovation and Improvement General Obligation bonds that are planned for the June 2008 ballot and the November 2015 ballot. Some of these projects may also be good candidates for the State's Proposition 1C Infrastructure Bond funds approved by the voters in November 2006.

- **Blue Greenway** – Consistent with the recommendations from the 2006 Mayor's Blue Greenway Task Force, the Port is proposing to develop (1) a new 2-acre Blue Greenway Northern Gateway Park adjacent to Mission Creek, (2) improve and expand Warm Water Cove Park to be a 3-acre shoreline park, and (3) make various streetscape and landscape improvements along Cargo Way. The total estimated cost of these projects is $8 million.

- **Pier 70 Crane Cove Park** – Adjacent to the United State's oldest operating civilian shipyard, Crane Cove Park would serve the Central Waterfront and Potrero neighborhoods and feature the historic Pier 70 shipyard, a public beach and include a historic slip with two cranes, and over 1,200 feet of Bay edge access that could include a small boat/aquatic center. The project is estimated to cost $15 million.

- **Bayfront Park at Mission Bay** – This project would rebuild the Bay edge to accommodate the recreation uses of the planned Bayfront Park in Mission Bay. The project is estimated to cost $3 million.

- **Brannan Street Wharf** – On the water's edge in the heart of South Beach, this project would replace the dilapidated Piers 34 and 36 with 60,000 square feet of new wharf and a public float for small boats and a 400 foot landscaped area. The project is estimated to cost $21 million.

- **Northeast Wharf** – At Pier 27, adjacent to the planned mixed-use recreation center at Piers 27-31, this 3-acre plaza would serve residents and visitors. The project is estimated to cost $5 million.

- **Fisherman's Wharf Plaza** – A new series of linked open spaces in the heart of Fisherman's Wharf along the Bay to enhance the quality of the pedestrian experience

including a new plaza and a continuation of the Embarcadero Promenade. The project is estimated to cost $9 million.

These are open space improvement projects that the Port is either required to implement through a Bay Conservation and Development Commission (BCDC) permit and/or the community has expressed a strong desire for additional open space along the City's waterfront. The Port agrees that providing additional parks and open space on its property would greatly enhance the public's experience of the Port. Since the Port does not derive revenues from park or open space uses of its property, they become lower priority projects. Open space projects primarily benefit the general public. As such, it is appropriate to secure public funds to construct them.

Revision of the Port's Development Model

One of the most significant new developments over the past year has been the realization by Port staff that the Port's development model has become 'broken.'

Specifically, the Port can not rely exclusively on private capital to fund repairs and seismic upgrades to the Port's piers because the cost to make such improvements combined with the restrictions on new uses of the piers result in a low rate of return to the developer. As a result, developing the City's waterfront will require an investment in public funds through the Infrastructure Financing District tax increment funds, the City's General Obligation bond funds, and/or State and Federal grants. In addition, we need more of an effort to reach consensus between the City, State agencies, and citizens as to what they want and can accept from that development.

Conclusion

The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance. As described in this 10-year Capital Plan, the Port has identified $1.4 billion of repair, replacement and seismic upgrades required for the continued use of its facilities. Since these estimates are in 2007 dollars, this amount will grow with the passage of time. The 10-year Capital Plan identifies $491 million as funded through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district. While this capital plan also identifies policy options that the Port can pursue to fund a portion of the remaining $956 million in unfunded projects, the Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City's policy makers and, in the case of potential development projects, the support of the State Lands Commission and BCDC.

Port staff are requesting that the Port Commission to adopt the 10-year Capital Plan which will be updated and brought back to the Port Commission annually for review and approval.

Prepared by: Tina Olson, Deputy Director
Finance & Administration

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-17

WHEREAS, San Francisco's Administrative Code 2.30 – 2.31 requires City departments to submit a 10-year capital plan to Mayor Gavin Newsom and the Board of Supervisors by March 1, 2007; and

WHEREAS, in 2006, the Port of San Francisco completed a 10-year Capital Plan that assessed the Port's capital needs including a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them; and

WHEREAS, in 2007, the Port has updated its 10-year Capital Plan which identifies $1.4 billion in required repairs and seismic upgrades, and

WHEREAS, the Port's 10-year Capital Plan identifies $491 million to fund those repairs and seismic upgrades through the Port's tenants, development projects, the Port's annual budget, revenue bonds, and an infrastructure financing district leaving $956 million unfunded; and

WHEREAS, the Port's 10-year Capital Plan identifies $672 million in policy options that the Port can pursue to fund a portion of the remaining $284 million in unfunded projects; and

WHEREAS, the Port will update this 10-year capital plan annually to reflect changes in the condition of the Port's facilities as well as changes in budget and financing assumptions, and now therefore be it

RESOLVED, that the Port Commission adopts the Port's 10-year Capital Plan; and be it further

RESOLVED, that the Port Commission authorizes and directs the Executive Director of the Port to submit the Port's 10-year Capital Plan to Mayor Gavin Newsom and the Board of Supervisors by March 1, 2007.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 27, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Stormwater Design Guidelines for New Development and Redevelopment in San Francisco

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY – NO ACTION REQUIRED

INTRODUCTION

Stormwater management is a critical municipal responsibility which has a direct impact on public health and safety, surface water quality, and wildlife habitat. Like many California municipal agencies, the Port of San Francisco administers a Stormwater Management Program developed in accordance with the Federal Clean Water Act and a State of California National Pollution Discharge Elimination (NPDES) Permit.

Among the specific obligations set forth in state and federal regulation, operators of municipal separate storm sewer systems are required to develop, implement and enforce a program to reduce pollutants in storm water runoff from new development and redevelopment projects. These are called "post-construction runoff controls". Port staff has partnered with the San Francisco Public Utilities Commission to develop a regulatory guidance document which provides the first step towards fulfilling this requirement.

BACKGROUND

Most stormwater in the City and County of San Francisco is collected in a combined storm and sanitary sewer system and treated at a water pollution control facility prior to discharge to San Francisco Bay or the Pacific Ocean. In contrast, stormwater runoff within the Port's jurisdiction flows through a "separated" storm sewer system and discharges directly to the Bay. Recent

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amendments to the Federal Clean Water Act require municipal agencies operating separate stormwater collection systems to take specific measures to reduce pollution in stormwater runoff, including the development of a program to reduce pollution in runoff from new development and redevelopment projects. Post-construction stormwater management in areas undergoing new development or redevelopment is necessary because runoff from these areas has been shown to significantly affect receiving waters such as San Francisco Bay. As stormwater runoff flows over areas altered by development, it picks up potentially harmful sediment, and chemicals such as oil and grease, pesticides, heavy metals, and nutrients (e.g., nitrogen and phosphorus). These pollutants can degrade water quality and negatively effect commercial and recreational uses.

Regulations for new development and redevelopment were promulgated by the federal government with the understanding that it is far more cost effective to intercept and/or minimize pollutants before entering the stormwater collection system rather than to treat pollutants after entering the system. Following this regulatory guidance, municipalities must meet the following requirements:

- Develop and implement strategies for the control of pollutants in post-construction stormwater runoff that include a combination of structural and/or non-structural Best Management Practices (BMPs);
- Adopt and enforce an ordinance or other regulatory mechanism requiring the implementation of post-construction runoff controls to the extent allowable under law;
- Ensure adequate long-term operation and maintenance of post-construction stormwater runoff controls;
- Specify an appropriate set of BMPs for use by project proponents.

The State Water Resources Control Board (SWRCB) approved the Port's Stormwater Management Program in June 2004. The approved SWMP includes a workplan and schedule to achieve compliance with the requirements cited above. The first and last of these requirements will be addressed by developing a Stormwater Design Guidelines Manual for New Development and Redevelopment ("Stormwater Design Guidelines"). Once the Stormwater Design Guidelines are complete, the Port will codify them as a requirement for new construction efforts along the waterfront. Port staff has discussed the scope of work for the proposed effort with state regulators, who support this approach.

The Port is already implementing an ad-hoc post-construction control program for portions of the Southern Waterfront in response to mitigation measures defined through the Southern Waterfront Supplemental Environmental Impact Report (SEIR) completed in 2001. Structural BMPs implemented in accordance with the SEIR mitigation requirements include stormwater harvesting and reuse at the recently constructed Bode Concrete and CEMEX concrete batch plant facilities. Bode's efforts recently yielded an Outstanding Achievement award from the California Water Environment Association in recognition of innovative pollution prevention practice (see Exhibit I). Through the Stormwater Design Guidelines effort Port staff hopes to duplicate Bode's recent success while at the same time furthering Mayor Gavin Newsom's policy goals for a greener, sustainable San Francisco.

Coordination with the San Francisco Public Utilities Commission

Local jurisdiction over the separate storm sewer system in San Francisco is divided between the Port and the SFPUC, though at this time the Port controls a much larger separately sewered drainage area. Because land use and activities of concern associated with each storm sewer system are quite different (the Port being largely maritime, the SFPUC largely parklands), each agency administers its own Stormwater Management Program. However, there are areas of mutual concern for both programs, and in 2004 the two agencies entered into a Memorandum of Understanding establishing a basis for coordination for stormwater management and other water quality related issues. Because of the need to articulate consistent policy City-wide for the post-construction control program, the Port and SFPUC are partnering on the Stormwater Design Guidelines effort.

Low Impact Development

The Stormwater Design Guidelines will promote a "Low Impact Development" approach for stormwater management. Low Impact Development (LID) has emerged as a highly effective and attractive approach to controlling stormwater pollution, as well as a means to integrate green and sustainable development practices in urbanized communities throughout the country.

The LID approach is simple and effective. Instead of large investments in complex and costly engineered solutions, LID strategies integrate green space, native landscaping, natural hydrologic functions and various other techniques to generate less runoff from developed land. LID is economical. LID strategies cost less than conventional stormwater management systems to install and maintain, in part because of fewer infrastructure requirements.

The LID approach will integrate with other City policy development efforts, including the SFPUC Sewer System Master Plan and the San Francisco Planning Department's "Better Streets" program. Port staff is currently exploring use of LID in a pilot study at the recently completed Amador Street Extension, where a system of vegetated swales will be used to convey and treat storm water runoff from the road and adjacent parcels before it discharges to the Bay. This project and related tenant improvements at Bode Concrete and CEMEX place the Port in the forefront of the City's sustainable development efforts.

Public Outreach

State regulation requires that administering agencies provide members of the public the opportunity to participate in and provide comment on the development of Stormwater Management Programs. Because the Stormwater Design Guidelines effort affects the interests of a broad range of stakeholders, including developers, contractors, open space advocates and environmentalists, the Port and SFPUC have developed an extensive public outreach effort. The first open house for the stormwater design guidelines effort is scheduled the evening of March 8, 2007 at 6 P.M. at the Port's Pier 1 offices. Members of the Port Commission will be provided with copies of all outreach collateral. Port staff currently anticipates a total of three public meetings between now and Summer 2007 in support of the Stormwater Design Guidelines process, with additional presentations provided to Port waterfront advisory committees and San Francisco public policy groups such as SPUR (San Francisco Planning and Urban Research

Association). See Exhibit II for a copy of the outreach flyer inviting participation in the first public meeting.

FUNDING

The Stormwater Design Guidelines project is a collaborative effort between the Port and the SFPUC, with the work to be performed through the Port's Environmental As-Needed Consultant contracts. To date, $200,000 has been encumbered for the project, with the SFPUC work ordering $100,000 to the Port to pay for its portion of the work. The Port is funding its portion of the work through its annual budget appropriation for the Port Stormwater Management Program.

SCHEDULE

The schedule for the Storm Water Design Guidelines project derives from the Stormwater Management Program workplan approved by the State Water Resources Control Board in 2004. Milestones for program development are as follows:

Scope and Contract:	November through January 2006
Public Meetings/Design Charrettes:	March through June 2007
Issue Draft Design Guidelines:	July 2007
Solicit Public Comment on Draft Guidelines:	July through August 2007
Issue Final Design Guidelines:	September 2007
Port and SFPUC Commission Approval:	October 2007

SUMMARY

In response to federal and state mandates, Port and SFPUC staff have initiated an effort to establish formal design guidelines for the minimization of stormwater pollution associated with new development and redevelopment in separately sewered areas of San Francisco. Upon completion of this effort later this year, Port staff will return to the Port Commission to propose incorporating the Stormwater Design Guidelines by reference into the Port Building Code and/or the San Francisco Public Works Code.

Prepared By: John Mundy, Utility Specialist

For: Edward Byrne, Chief Harbor Engineer

SAN FRANCISCO STORMWATER DESIGN GUIDELINES

Policy development effort to be introduced at March 8 Open House

The Port of San Francisco and the San Francisco Public Utilities Commission (SFPUC) are teaming to develop a regulatory guidance document for the minimization of pollutants in urban runoff associated with new development and redevelopment. This regulatory policy will provide guidance for implementing Low Impact Design and other "green" design principles, and will apply to projects in those areas of San Francisco where urban runoff discharges directly to local lakes and San Francisco Bay -- at this time mostly Bay waterfront parcels. Please join the Port and SFPUC in our effort to promote a sustainable City.

March 8, 2007 • 6:00-9:00 PM • Pier 1, Port of San Francisco, Bayside Conference Rooms 1-4

For more information contact:

John Mundy, (415) 274-0256 **Susan Glendening (415) 554-0707**

Email: John.Mundy@sfport.com **E-mail: sglendening@sfwater.org**

Visit: www.sfport.com or http://stormwater.sfwater.org

三藩市排污設計指引

將於三月八日開放日推薦的政策發展議題

三藩市港務局及三藩市公共事業管理局現正联合擬定一份文件, 以便將城市的新發展及重建帶來的污水溢流造成的污染降至最低 此管理政策將會爲实施「低影响設計」及其他「綠色設計」原則提供指引, 並將會適用於所有城市污水直接 流入本地湖泊及三藩市海湾的新發展計劃 — 在現階段是指位於海旁一帶的地段。 請加入三藩市港務局及三藩市公共事業管理局的行列一起努力推廣一個永續發展的域市。

二零零七年三月八日 • 下午六時至九時 • 三藩市港務局一号碼頭 Pier 1, Port of San Francisco, Bayside Conference Rooms 1-4

詳情請洽:

John Mundy, (415) 274-0256 **Susan Glendening (415) 554-0707**

電郵地址: **John.Mundy@sfport.com** 電郵地址: **sglendening@sfwater.org**

網址: **www.sfport.com** 或 **http://stormwater.sfwater.org**

PAUTAS DE DISEÑO de ESCORRENTÍAS PLUVIALES de San Francisco

Se introducen nuevas exigencias para reducir contaminación de escorrentías pluviales en una exhibición abierta al público el 8 de marzo

El Puerto de San Francisco y la Comisión de Servicios Públicos de San Francisco (SFPUC por sus siglas en ingles) combina desarrollar un documento de dirección regulador para la minimización de contaminadores en escorrentía urbana asociado con construcción de nuevo desarrollo y reurbanización. Esta política reguladora será aplicable en áreas donde escorrentía urbana drena directamente en un cuerpo de agua más bien que en el sistema de alcantarilla combinado----en este tiempo sobre toda propiedad de orilla de Bahía. Las pautas promoverán el Diseño de Bajo Impacto y otros principios de diseño "verdes" para permitir que la escorrentía urbana filtrara en la tierra y otras superficies permeables.

Por favor afíliese al Puerto y SFPUC en nuestro esfuerzo para promover una ciudad sostenible.

El 8 de marzo de 2007 • 6:00-9:00 PM • Embarcadero 1, Puerto de San Francisco, Salas de Conferencias de Bayside 1-4

Para mas información:

John Mundy, (415) 274-0256 **Susan Glendening (415) 554-0707**

Correo electrónico: **Correo electrónico: sglendening@sfwater.org**

John.Mundy@sfport.com

Visite: www.sfport.com o http://stormwater.sfwater.org

SF Stormwater Design Guidelines Project
Port of San Francisco
Pier 1
San Francisco, CA 94111

RETURN SERVICE REQUESTED

PORT OF SAN FRANCISCO

SFPUC
WATER
POWER

STORMWATER DESIGN GUIDELINES
OPEN HOUSE MEETING DATE AND LOCATION
March 8, 2007
6:00-9:00 PM
Port of San Francisco
Pier 1

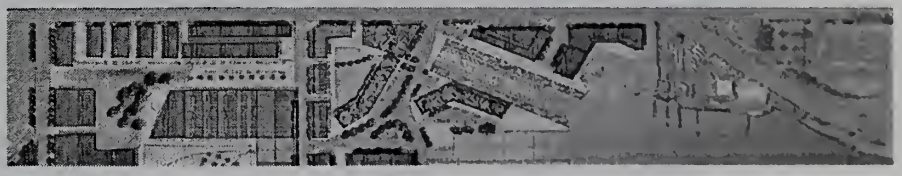
三藩市排污設計指引

開放日時間
和地點

二零零七年三月八日
下午六時至九時
三藩市港務局
一号碼頭

PAUTAS DE DISEÑO de ESCORRENTÍAS PLUVIALES
FECHA Y LA DIRECCIÓN DE LA EXHIBICIÓN ABIERTA AL PÚBLICO
El 8 de marzo de 2007
6:00-9:00 PM
Port of San Francisco
Pier 1

Learn about new design and construction requirements to reduce pollution in storm water runoff. See inside for details.



了解有關新建築設計和施工規定以減少污水溢流所造成的污染。詳情請參考內頁。



Aprenda sobre nuevo diseño y exigencias de construcción para reducir la contaminación en escorrentías pluviales. Ver dentro para detalles.

February 8, 2007

Lisa Ising
Bode Concrete
450 Amador Street
San Francisco, CA 94124

SUBJECT: California Water Environment Association (CWEA) Pretreatment, Pollution Prevention, and Stormwater (P^3S) Facility of the Year Awards for 2006

Dear Ms. Ising:

On behalf of the CWEA Pretreatment, Pollution Prevention, and Stormwater (P^3S) Facility of the Year Subcommittee, **congratulations** on receiving this year's **Certificate of Merit for Outstanding Achievement Award** for the large facility category in Northern California. We appreciated the time that you, Dan Boardman and the other Bode Concrete staff provided to the committee during our site visit. The pollution prevention and control measures that have been implemented at your facility were very impressive and the committee wants to recognize your company's efforts.

As we discussed on the phone, we would like to invite you to the P^3S Committee's Annual Conference for a luncheon presentation of your award. The conference this year will be held at the Marriott Napa Valley Hotel & Spa in Napa, California on Monday, February 26, 2006 at 12:00 p.m. Enclosed is a copy of the program for the conference that also provides directions to the conference facility. Please arrive at least one half hour before the luncheon so that I can confirm your attendance and obtain information on who will be representing your company for the presentation ceremony. The CWEA invites up to two representatives as our guest for the luncheon. We encourage you to bring as many representatives as you would like to share the recognition that this award brings to your company's efforts. Additional representatives will need to purchase a lunch ticket at a cost of $35 per ticket.

The awards presentation format will include a brief introductory statement identifying the award you will be receiving, acceptance of the award by your company representative(s), and a presentation by your representative of up to 5 minutes. The presentation is an opportunity to identify your company's operations, to briefly summarize the successes you have made in the field of pollution prevention/control, and to be recognized by peers of water quality professionals for these successes. We will provide a photographer for the awards acceptance and will provide a copy of the digital photos. We have traditionally taken a group photo of all the winners after the luncheon so please plan on staying for this additional photo.

I look forward to seeing you at the awards luncheon so that we can properly recognize the significant achievements your company has made in the area of environmental protection generally and water quality protection specifically. I will call you to confirm your plans about attending this conference. Please call me at (925) 229-7380 if you have any questions.

Sincerely,

Timothy Potter

Timothy Potter, Chair
CWEA P^3S Facility of the Year Subcommittee, Northern California

cc w/o enclosure: John Mundy, Port of San Francisco
Kristina Basgen, CWEA

enclosure

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on the Status of Contract 2708, Wharf J10 and Fishery Building Demolition Project

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

Introduction

This presentation is the first progress report for the Wharf J10 and Fishery Building Demolition Project since Contract was certified on January 12, 2007. Port staff issued Notice to Proceed to Contractor (Zaccor Companies Inc.) on January 15, 2007. Since then, Port staff and Contractor had a number of coordination meetings with impacted tenants residing near the project site. These tenants support the demolition project as a feasible plan to remove the deteriorating maritime structure. As part of Port's continuous effort to keep the community informed of the project progress, Port staff has presented project updates at the monthly Fisherman's Wharf Waterfront Advisory Group meetings.

Background

The Port Commission authorized Staff to award Contract No. 2708 – Wharf J10 and Fishery Building Demolition Project to Zaccor Companies, Inc. on December 12, 2006 under Resolution No. 06-88. The Contract was certified on January 12, 2007. The Official Notice to Proceed (NTP) was issued on January 15, 2007 with a contractual duration of 180 calendar days for contractor to achieve substantial completion. Contractor is scheduled to achieve final completion on August 12, 2007, 30 days following the substantial completion date.

Contract *milestones* are as follows:

(1) Completion of submittal process – March 15, 2007 (60 calendar days after NTP)

This Print Covers Calendar Item No. 9B

(2) Completion of all demolition work – May 15, 2007 (60 calendar days after the approval of submittals)

Currently, Contractor has submitted all twelve required technical submittals to the Port for approval on schedule as outlined in the Contract. Eight of these technical submittals have been approved by Engineering staff while others have been returned for revisions and re-submittal. The technical submittal process also includes presentation of the technical submittals to impacted tenants and the Fisherman's Wharf Waterfront Advisory Group. The Fisherman's Wharf tenants will have the opportunity to comment and influence these work plans. These plans shall address the requisite mitigation measures identified in the EIR. Port staff will conduct a town hall meeting to facilitate the presentation of the technical submittals to the nearby tenants before March 15, 2007.

Contractor is required to coordinate with other contractors who are working on projects located within the vicinity of the Wharf J10. These projects include (1) Wharf J9 Repair by Valentine Construction (estimated completion by mid-March) and (2) DPW Fireboat Wharf Manifold Upgrade (expected to start by mid-March 2007.) According to Contract specifications, Zaccor shall coordinate with these contractors to minimize impacts to local businesses and tenants during the entire contractual duration. Port staff will monitor their progresses and mitigate any conflicts among these construction projects.

Funding

The $1,100,680 project budget, including a 10% contingency ($100,062), is fully advanced from the following Port capital project funds:

(1) CPO730 (Fisherman's Wharf J10)	$697,000
(2) CPO741 (Pier Repair)	$39,006
(3) CPO756 (Seawall & Wharf Repair)	$364,674
Total:	$1,100,680

In 2002, the Superior Court awarded F. Alioto Company (Alioto) breach of lease damages, including $2,800,000 based on the cost of reconstructing the Alioto's premises at Wharf J-10. The Port and Alioto are in discussions about the use of those funds.

Monthly progress payments will be paid based on the verified amount of contract work completed in the field. Port staff will monitor the progress of the project ensuring contract compliance which includes the following contract requirements:

- Payment of Prevailing wages complying with City's Labor Standard
- HRC – 15% subcontracting (LBE) goal
- Monthly update of project's construction schedule
- Adherence to requirements complying with Hazardous Material handling
- Adherence to requirements complying with Recycling and Reuse program
- Compliance with submittal requirement of as-built information for Port records

PORT OF SAN FRANCISCO

MEMORANDUM

February 23, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request Approval of Lease No. L-14261 for 2902 square feet of office space with California Foundation on the Environment and the Economy (CFEE) at the southwest end of Pier 35

DIRECTOR'S RECOMMENDATION: APPROVE ATTACHED RESOLUTION

Background

California Foundation on the Environment and the Economy, a California non-profit corporation (hereafter referred to as "CFEE"), has been a tenant with the Port of San Francisco for over seven years at Pier 35, Suites 200 and 202. In November 1999, under Lease No. L-12606 (expired on October 31, 2006), CFEE converted shed and undeveloped office space into Class B office space. CFEE created two larger office suites complete with conference rooms, kitchens and ADA compliant bathrooms. CFEE spent approximately $500,000.00 for these upgrades.

Under proposed Lease No. L-14261 (hereafter referred to as the "Lease"), CFEE is requesting a five year lease utilizing an overall blended rate for the entire Lease term that is consistent with the Port Commission's Rental Rate Schedule.

As a condition of CFEE's original lease, CFEE was required to segregate its utility services from those serving the balance of Pier 35. This necessitated the installation of a new code compliant electrical panel for the non-CFEE utilities. Prior to the completion of this work, CFEE was drawing its electrical power from the central command panel. However, following the segregation, the Port did not invoice CFEE for its utility use. The Port staff has assessed the value of CFEE's non-invoiced electrical usage over the period of September 1999 to February 2006 to be $33,320.10. The new Lease will address CFEE's payment responsibilities concerning this outstanding balance. CFEE has agreed to pay one half of the expense to separate the electrical service serving Pier 35, Suites 200 and 202, and is willing to repay the Port for the amount of electric usage for the above period (totaling approximately $33,320.10) over the next three years.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

Lease Terms and Conditions

Notwithstanding the proposed monthly rental rate and electrical charges, CFEE will sign the Port's standard form lease document as adopted by the Port Commission. The salient terms and conditions of the proposed Lease include the following:

Premises: Parcel A: approximately 1,804 rentable square feet of office space
Parcel B: approximately 1,098 rentable square feet of mezzanine office space

Location: Pier 35, Suite 202

Anticipated Lease Commencement Date: May 1, 2007

Anticipated Lease Expiration Date: April 30, 2012

Lease Term: five (5) years

Base Rent:

Monthly Base Rent:	Months	Sq. Ft.	Monthly Base Rate	Total Monthly Base Rent
Parcel A: $2,976.60	1-12	1,804	× $1.65	$2,976.60
Parcel B: $1,811.70		1,098	× $1.65	$1,811.70
				Total $4,788.30
Parcel A: $3,157.00	13-24	1,804	× $1.75	$3,157.00
Parcel B: $1,921.50		1,098	× $1.75	$1,921.50
				Total $5,078.50
Parcel A: $3,337.40	25-36	1,804	× $1.85	$3,337.40
Parcel B: $2,031.30		1,098	× $1.85	$2,031.30
				Total $5,368.70
Parcel A: $6,332.04	37-48	1,804	× $3.51	$6,332.04
Parcel B: $3,853.98		1,098	× $3.51	$3,853.98
				Total $10,186.02
Parcel A: $6,710.88	49-60	1,804	× $3.72	$6,710.88
Parcel B: $4,084.56		1,098	× $3.72	$4,084.56
				Total $10,795.44

Net Lease:	The proposed lease with CFEE is a net lease with the Port not having to provide the utilities and janitorial services of a full service lease. CFEE will be responsible for janitorial service, utilities, scavenger service, and all maintenance pertaining to their interior premises. The Port will only be responsible for maintenance of the substructure, roof, common areas and exterior walls.
Use:	Parcel A: General office use only Parcel B: General office use only
Electric Fee:	$33,320.10 to be paid in equal installments over a 36 month period
Subtenants:	None

Proposed Monthly Base Rent

Under the Port's Leasing Policy, the Rental Rate Schedule sets ranges of minimum lease/license rental rates per square foot and ranges of minimum net effective rental rates per square foot (if any rent credits are to be provided) by type of use and facility for office and industrial space, and provides for periodic rental rate updates. Port staff reviews and analyzes available commercial data including market comparables of similarly situated properties to that of Port properties and evaluates Port transactions over the past 12 months to establish fair market value. The Port Commission last updated the Rental Rate Schedule in July 2006, by Resolution No. 06-56. Per the Rental Rate Schedule, the minimum monthly rental rate for Pier 35 bulkhead building is $2.25 - $2.75 per square foot.

Currently, CFEE is leasing approximately 5,827 square feet of office space at a monthly rental rate of $1.71 per square foot. CFEE is requesting a new five year lease for approximately 2,902 square feet utilizing the following monthly rental rate schedule: Year 1: $1.65; Year 2: $1.75; Year 3: $1.85; Year 4: $3.51; and Year 5: $3.72. The Port Commission's 2006–07 Minimum Rental Rate Schedule for Pier 35 office space is $2.25 per square foot. Although rental rates for years one to three are below the Port Commission's Minimum Rental Rate Schedule, the overall blended rate for the five year term of the lease is $2.50 per square foot and is consistent with Port Commission's 2006–07 Monthly Rental Rate Schedule guidelines.

Over the past seven years, CFEE has been an outstanding Port tenant. CFEE converted shed and undeveloped office space into Class B office space. CFEE spent over $500,000.00 to improve and create two larger office suites complete with conference rooms, kitchens and ADA compliant bathrooms. CFEE is an environmental labor and business coalition that serves as a public policy forum for state legislators, regulators and governor's cabinet secretary on critical infrastructure issues impacting California. CFEE convenes these public and private sector leaders to address energy, water, air quality, telecommunication and transportation issues. The purpose of these conferences are to development bipartisan censuses among environmental, labor and business leaders with public policy decision makers.

Competitively Bid Requirement

Sections 2.6-1 and 23.33 of the Administrative Code states that it is city policy that leases should be awarded in accordance with the competitive bidding procedures unless such procedures are impractical

or impossible. Section 9.118(c) (Contracts and Lease Limitations) of the San Francisco Charter further states that any lease of real property for a period of ten or more years, including options to renew, or leases having anticipated revenue to the City of one million dollars or more shall first be approved by resolution of the Board of Supervisors. Leases of property under the jurisdiction of the Port Commission for maritime use shall be exempt from the requirements of Section 23.33.

The Port's Waterfront Land Use Policy provides for non-maritime office use at Pier 35 on an interim basis. As such, the Port cannot execute a lease with a non-maritime office user for more than 5 years. The Port Commission's rental policy encourages competitive bidding of long-term economic opportunities unless impractical or impossible. It has been the Port's practice to competitively bid retail and development opportunities, and not competitively bid routine office or industrial leases that meet the Port's Adopted Rental Rate Schedule. To that end, the Port's interim leasing guidelines allow staff to negotiate and execute leases with terms of five years or less. All leases containing terms of five years or more must be approved by the Port Commission, and leases with terms of ten years or more, or leases with anticipated rent totaling one million dollars or more, must be approved by both the Port Commission and Board of Supervisors. CFEE has leased its current office space at Pier 35, Suite 202 for over seven years. A new five year lease would put CFEE in occupancy of its current, albeit reduced, premises for an aggregated period of twelve years.

Port staff recommends that the lease for Pier 35, Suite 202 not be competitively bid due to several factors. First, the non-maritime office leasing opportunity can only be bid as a short-term lease for an interim use. Second, the Port Commission's adopted rental rates for this property are already at or above equivalent market rates. A competitive bid process would be lengthy and expensive. There is no guarantee that such a process would garner a rental rate that is higher than current market or a tenant that is of better quality and reliability than CFEE. However, such a process could result in an added vacancy for the Port and a resultant loss of revenue.

Proposed Amendment to Current Month to Month Lease

Under Lease number L-12606, CFEE's premises include two office Suites, 200 and 202. Due to the month-to-month nature of CFEE's current lease, CFEE has been unable to secure a subtenant for Suite 200. Therefore, CFEE is proposing to reduce its premises to include only Suite 202 effective March 1, 2007. CFEE will continue to pay its existing monthly rental rate for this period. The new five year lease only includes Suite 202. Effective immediately, the Port will be able to market and lease Suite 200. Pier 35, Suite 200 is approximately 3,530 square feet of second floor office space over looking the Embarcadero. Port staff believes Suite 200 is very desirable and would lease for $2.25 per square foot or $7,942.50 per month.

Proposed Separation of Electrical Service for Suites 200 and 202

Under the Lease, CFEE will be required to pay for one half of the total cost to separate the electrical service serving Pier 35, Suites 200 and 202. The total cost for this work is approximately $12,800.00. CFEE has agreed to perform this work. The Port will pay half of this cost, up to $6,400.00.

Proposed Monthly Payment Schedule for Past Electrical Usage

As a condition of CFEE's original lease, CFEE was required to segregate its utility services from those

serving the balance of Pier 35. This necessitated the installation of a new code compliant electrical panel for the non-CFEE utilities. Prior to the completion of this work, CFEE was drawing its electrical power from the central command panel. Port staff assessed the value of CFEE's electrical usage over the period of September 1999 to February 2006 to be $33,320.10. CFEE proposes to repay this amount over a thirty-six month period, less $6,400.00, the Port's shared cost to separate the electrical service to Pier 35, Suites 200 and 202, totaling $26,920.10 or $747.78 monthly for thirty-six months. CFEE is willing to pay its portion to segregate its utilities from those serving Suite 200. However, it is the Port's responsibility to pay our share to separate Suite 200, as the Port will benefit from receiving approximately $95,000.00 annually from leasing this office space.

Recommendation

Port Real Estate staff recommends that the Port Commission (1) approve the Amendment to Lease No. L-12606, (2) approve the proposed Lease No. L-14261 with CFEE, and (3) authorize the Executive Director or her designee to forward the CFEE Lease to the Board of Supervisors of the City and County of San Francisco for approval and upon the effectiveness of such approval to execute said lease number L-14261 with CFEE for the rental of Pier 35, Suite 202 in the City and County of San Francisco for a term of five (5) years and subject to the additional terms and conditions set forth above.

Prepared by: Richard A. Rovetti, Commercial Property Manager

For: Susan Reynolds, Deputy Director of Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-18

WHEREAS, Charter Section 3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and authority and duty to use, conduct, operate, maintain, manage, regulate and control the Port area(s) of the City and County of San Francisco; and

WHEREAS, Section 3.581(g) of the Charter of the City and County of San Francisco provides that leases granted and made by the Port Commission should be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, California Foundation on the Environment and the Economy ("CFEE"), a California non-profit corporation (hereafter referred to as "CFEE"), proposes and Port Staff agrees to lease Parcel A: approximately 1,804 rentable square feet of office space and Parcel B: approximately 1,098 rentable square feet of mezzanine office space located at Pier 35, Suite 202; and

WHEREAS, CFEE proposes and Port Staff agrees to a five year lease commencing on May 1, 2007 utilizing the following monthly rental rate schedule per square foot: Year 1: $1.65; Year 2: $1.75; Year 3: $1.85; Year 4: $3.51; and Year 5: $3.72; and

WHEREAS, CFEE proposes and Port Staff agrees to execute an amendment to Lease No. L-12606 with CFEE for space at Pier 35 effective March 1, 2007 to reduce CFEE's premises to only include Suite 202 (the "Lease Amendment"), until the effective date of Lease No. L-14261; and

WHEREAS, CFEE will be required to perform and pay for one half of the total cost of $12,800.00 to separate the electrical service serving Pier 35, Suites 200 and 202, the Port will pay up to $6,400.00 thereof; and

WHEREAS, CFEE proposes and Port Staff agrees that CFEE will repay $33,320.10 to the Port over a thirty-six month period for its non-invoiced electric use for the period of September 1999 to February 2006, with a credit for the Port's portion of the separation costs of up to $6,400.00; and

WHEREAS, the Port's Waterfront Land Use Plan provides for non-maritime office use at Pier 35 on an interim basis; and

WHEREAS, Port Commission policy encourages competitive bidding of economic opportunities unless impractical or impossible; and

WHEREAS, the Port Commission has determined that competitively bidding a short term, interim office leases that meets or exceeds fair market rental rates is not cost effective and would result in an unnecessary vacancy and loss of revenue; and

WHEREAS, the San Francisco Planning Department's Major Environmental Analysis division issued to the Port a General Rule Exclusion, which satisfies environmental review requirements under the California Environmental Quality Act (CEQA), for Port actions to enter into new leases where there would be a continuation of an existing use with no substantial physical changes to the site or substantial intensification of use through their operations; and

WHEREAS, the Port Planning Division has determined the CFEE Lease is exempt from a CEQA review as it falls under the General Rule Exclusion category; and

WHEREAS, the CFEE Lease requires both approval by the Port Commission and the Board of Supervisors of the City and County of San Francisco (the Board of Supervisors) pursuant to Charter Section 9.118(c); now, therefore be it

RESOLVED, that the Port Commission hereby approves the Amendment to Lease No. L-12606 with CFEE, effective March 1, 2007, to reduce the current premises under the Lease to include only Suite 202 of Pier 35 until the effective date of Lease No. L-14261, and now, be it further

RESOLVED, that the Port Commission hereby approves Lease No. L-14261 for the rental of Pier 35, Suite 202, with CFEE for a term of 5 years and on the terms stated herein, and authorizes and directs the Executive Director or her designee to forward the CFEE Lease No. L-14261 to the Board of Supervisors for approval, pursuant to its authorization under Charter Section 9.118(c), and upon the effectiveness of such approval, to execute the CFEE Lease, and now, be it further

RESOLVED, that the Port Commission authorizes the Executive Director, in consultation with the City Attorney, to enter into any additional documents including non-material modification to the CFEE Lease No. L-14261, as she deems necessary or appropriate, to consummate the transactions contemplated hereby or to otherwise effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 23, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation Regarding Tenant Improvement Credits and Tenant Allowances

RECOMMENDATION: INFORMATIONAL ONLY-NO ACTION REQUIRED

INTRODUCTION

Port Real Estate staff has been asked to review with the Port Commission the Port's policies regarding Tenant Improvement Credits and Tenant Allowances.

BACKGROUND

By virtue of the size of its commercial real estate holdings, the Port is one of the major landlords in the City and County of San Francisco. As such, it competes with San Francisco's other major real estate operations for new tenants and must fend off those who would attempt to attract its existing tenant base.

In a highly competitive commercial real estate market, private sector landlords will attract new tenants with offers of free or deferred rent or significant tenant improvement allowances to prospective tenants for remodeling of their premises. The scope and value of these incentives are a key factor in attracting new tenants in real estate markets with high vacancy rates such as those experienced in San Francisco during the early 1990's and following the crash of the "dot com" boom. As commercial markets improve and the demand for space, whether it be retail, industrial or commercial office, improves the need to offer such incentives is reduced.

During the early 1990's the Port experienced a high vacancy rate and found it difficult to compete with private sector landlords offering rent and tenant improvement allowance incentives. As a result, Port Real Estate staff approached the Port Commission and sought the approval of a rent credit policy that would allow the Port to improve its competitive position against the private sector real estate operations.

THIS PRINT COVERS CALENDAR ITEM NO. 10B

In 1991, the Port Commission approved Port Commission Resolution 91-118 adopting a policy regarding rent credits. Pursuant to this rent credit policy, the Executive Director was authorized to approve rent credits to reimburse Port tenants for two categories of expenditure:

1. Maintenance, repairs that otherwise would be the obligation of the Port or alterations, demising or other improvements which would generally be considered the responsibility of the Port, but which could be more expeditiously or more economically performed by the tenant; and
2. Work which increased the rental value of the affected Port property.

Prior to the approval of Port Commission Resolution 91-118 rent credits, rent abatement and similar economic allowances had been addressed by the Port Commission ad hoc and on a case-by-case basis.

In 1993, the Port Commission approved Port Commission Resolution 93-127 adopting the Port's commercial leasing policy. This policy permitted the Executive Director to enter into leases with tenants without the need to seek Port Commission approval of each transaction provided such leases met the following preconditions:

1. The use of a Port Commission approved standard form lease, which would be periodically updated to reflect changes in laws and Port and City policies and reasonable commercial real estate practices; and
2. The use of rental rates consistent with Port Commission approved rental parameters; and
3. The lease term could not exceed five (5) years.

The Port Leasing Policy permitted the Executive Director to allow the tenant one month of "free" rent as a move-in incentive, provided that the free rent or attributable rent credit, when amortized over the full term of the lease, did not result in the net effective rental rate being reduced to a level below the Port Commission approved rental parameters.

Port Commission Resolution 93-127 acknowledged that the rental parameter rates for full service office buildings in the Southern, Central and Northern Waterfront, assumed that the offices would be in good move-in condition with good paint and serviceable carpets.

In the event such was not the case, the Executive Director could approve a rent credit not to exceed $2.50 per square foot of floor area for new paint or wall coverings and a like amount for new carpeting without regard to the rent credit's impact on the net effective rental rate. Once approved, the rent credit was to be taken against one half of the monthly rental obligations in successive months until fully applied.

In 2003, the Port Commission rescinded Port Commission Resolution 91-118.

CURRENT PORT COMMISSION POLICY REGARDIN TENANT IMPROVEMENT CREDITS AND TENANT ALLOWANCES

As a result of the Port Commission's rescission of Port Commission Resolution 91-118, the only rent credits that many be approved by the Executive Director without the approval of the Port Commission are those authorized by Port Commission Resolution 93-127 adopting the Port Leasing Policy, to wit:

1. Up to $2.50 per square foot of floor area for new paint or wall coverings and up to $2.50 per square foot of floor area for new carpeting installed by the tenant at the tenant's expense. In the case of a full service gross office lease, the impact of such rent credits against the net effective rent is not applicable. In the case of a net office lease the paint and/or carpet rent credits are to be factored into the calculation of net effective rent to determine whether or not the net effective rental rate, after the application of the rent credit, meets the Port Commission approved rental rate parameters.
2. A rent credit or rent abatement for up to one (1) month's rent for early entry to permit the tenant to install any tenant improvements or the tenant's business fixtures and equipment.

All other rent credits for tenant improvements or other tenant allowances and rental incentives must be approved by the Port Commission on a case by case basis.

THE FUTURE

Port Real Estate staff believes that it is important to continue to offer prospective commercial office tenants with facilities that are free of the wear and tear caused by the previous tenants. It is also important to address the need to upgrade the premises of existing Port tenants when renewing a commercial office lease. To the extent that Port Maintenance staff is unable to address these items, it is important to have a means of addressing this need through the Port Commission's previously approved rent credit policies outlined in Port Commission Resolution 93-127. This vehicle allows rent credits for new paint and wall coverings and new carpeting installed by Port tenants.

Port Real Estate staff is reviewing the dollar values of the rent credits approved by Port Commission Resolution 93-127 to determine if inflationary and competitive factors require that the dollar value be adjusted. If such a recommendation is forthcoming, it will be presented to the Port Commission for its approval.

As the overall commercial real estate market in the City improves, the need for tenant improvement, rent abatement or other allowances diminishes. This, coupled with the Port's excellent overall vacancy rate and the demonstrated demand for the Port's uniquely located commercial office and industrial facilities, obviates the need to offer such incentives to most prospective tenants. As a result, Port Real Estate staff does not anticipate seeking, in the near term, any changes in the Port Commission's policies regarding rent credits for tenant improvements or other rental allowances or incentives.

Prepared by: Nic Dempsey
Property Manager

For: Susan Reynolds,
Deputy Director, Real Estate

PORT OF SAN FRANCISCO

MEMORANDUM

February 22, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation Regarding Policy for Payment of Brokers' Commissions

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY - NO ACTION REQUIRED

BACKGROUND

On December 8, 1993, the Port Commission approved a Policy for Payment of Brokers' Commissions through **Resolution No. 93-151**. Such policy provides that, with the exception of month-to-month tenancies, commissions for leases were based on three percent (3%) of the gross rentals payable for the first, second and third years of a lease, two percent (2%) of the rental for the fourth and fifth years of a lease, and one percent (1%) of the rental for lease years six through ten. No commissions shall be paid for placement of any lease beyond ten (10) years. In the case of a month-to-month tenancy, fifty percent (50%) of the first month's base rent shall be paid as a brokers' commission, but only if the tenant rents the property for a minimum of three (3) months. Prior to the adoption of this policy, the Port did not offer to pay real estate commission to the real estate brokers representing Port tenants except on a case by case basis by specific resolutions of the Port Commission.

Since the inception of the above policy, the Port has only consummated four leases involving brokerage participation. To be competitive with the private sector market and encourage the brokerage community to present Port properties to potential tenants, on September 20, 1995, the Port Commission approved an Amendment to the Policy for Payment of Brokers' Commissions through **Resolution No. 95-80**. The effect of that amendment was to increase the commission rates to six percent (6%) of gross rentals for the first and second years of a lease, five percent (5%) for the third year, four percent (4%) for the fourth and fifth year, and two and one half percent (2.5%) for lease years six through ten.

This Print Covers Calendar Item No. 10C

In 1997, the commercial real estate market in San Francisco improved dramatically; demand for vacant space fueled by the "Dot Com" industry was at an all time high. It was determined that the Port's approved brokerage commission rates no longer reflected the real estate leasing environment. On October 29, 1997, the Port Commission approved an Amendment to the Policy for Payment of Brokers' Commissions through **Resolution No. 97-98** which provided a lower commission rate at 2.5% of the annual rents for lease years 1 through 5 net of any rent credits, cost of living increases and market rate adjustments.

For leases in excess of five years, the brokers' commission would be the lesser of 2.5% of the first five years of ***annual rent*** due **or** 2.5% of the first five years of ***imputed rent*** (defined as the average annual rent over the term of the lease). Imputed rent takes into consideration any automatic rent increases within the five year period.

Pursuant to the Port Commission **Resolution No. 93-127**, any lease term over five years must be approved by the Port Commission.

Pursuant to the Port Commission **Resolution No. 97-98,** no brokerage commission shall be payable for leases awarded pursuant to a Port Commission Request for Proposals ("R.F.P."), Request for Bid ("R.F.B.") or sole source negotiation resulting directly from a Request for Qualifications ("R.F.Q.").

CURRENT MARKET SYNOPSIS

After the economic recovery began in the summer of 2003, the San Francisco commercial real estate market has continued to improve as reflected in declining vacancies and rising rental rates. For the third quarter of 2006, the average citywide office vacancy rate was 11% and the average industrial vacancy rate was 3%. Copies of the market report from NAIBT Commercial are attached for reference. Looking ahead, improving economic fundamentals and an insurgence of small to mid-size business will continue to drive demand. The San Francisco office market should expect to see the vacancy rate dip below 10% for the first time since 2001.

PORT VACANCY RATE ANALYSIS

On November 18, 2006, Port staff performed a real-time Portwide vacancy rate analysis based on total leased square footage provided by the Information System Division and total leasable square footage provided by the Real Estate Division. The average office and industrial vacancy rates were both at approximately 3%. Benefiting from the desirable waterfront location, easy access to public transportation and attractive rental rates, Port's vacancies are notably lower than the overall San Francisco commercial real estate market. The methodology for deriving the vacancy rates is attached hereto as Exhibit A for reference.

CONCLUSION

This informational presentation is intended to provide an overview of the Port's low vacancy rates and the current healthy market conditions. It is anticipated that leasing Port properties by Port staff without utilization of the brokerage community would benefit the Port in the form of higher retained revenue. Information contained in the market reports form NAIBT Commercial and the Portwide vacancy rate summary both support this conclusion. If market conditions change dramatically in the future, Port staff will conduct a current market analysis and recommend an amendment to the Policy for Payment of Brokers' Commissions to reflect the rate schedules in use by the private sector at that time.

Prepared by: Vicky Lee, Commercial Property Manager

For: Susan Reynolds, Deputy Director, Real Estate

San Francisco

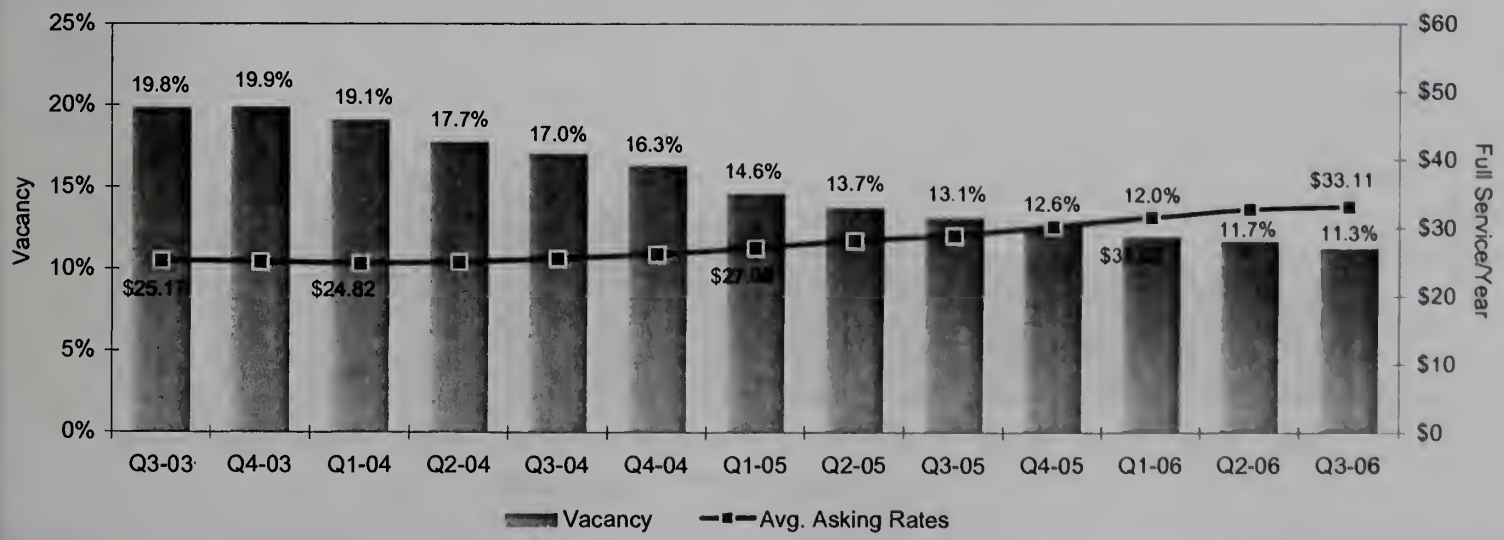
Office Report | Q3-2006



San Francisco CBD

Quarter	Q3-2005	Q4-2005	Q1-2006	Q2-2006	Q3-2006
Rentable Building Sq.Ft.:	82,025,712	82,467,837	82,527,837	82,489,702	82,489,702
Direct Availabilities:	8,936,739	8,536,185	8,252,136	8,088,809	7,655,420
Sublease Availabilities:	1,804,965	1,835,569	1,610,946	1,574,700	1,651,584
Total Availabilities:	10,741,704	10,371,754	9,863,082	9,663,509	9,307,004
Vacancy Rate:	13.1%	12.6%	12.0%	11.7%	11.3%
Gross Absorption:	2,869,962	2,078,951	2,310,106	2,071,522	2,130,855
Net Absorption:	338,708	507,718	374,021	262,419	281,513
Avg. Asking Rate (FS/Year):	$28.86	$30.19	$31.52	$32.76	$33.11
Avg. Time on Market in Months:	23.4	24.3	24.3	25.0	25.2
Completed New Construction:					
Build-To-Suit	0	335,000	0	0	0
Speculative	0	107,125	60,000	138,973	0
Total New Construction:	0	442,125	60,000	138,973	0
Availabilities by Size:					
0 - 5,000 SF	626	590	577	538	531
5,000 - 10,000 SF	284	264	254	234	246
10,000-20,000 SF	309	289	280	280	267
20,000 & Up	98	106	99	97	92
Total Availabilities:	1,317	1,249	1,210	1,149	1,136

Vacancy & Asking Rate Trend



NAI BT Commercial

The information contained herein while not guaranteed has been secured by sources we deem reliable. All information should be verified prior to lease or sale.



San Francisco

Industrial Report | Q3–2006

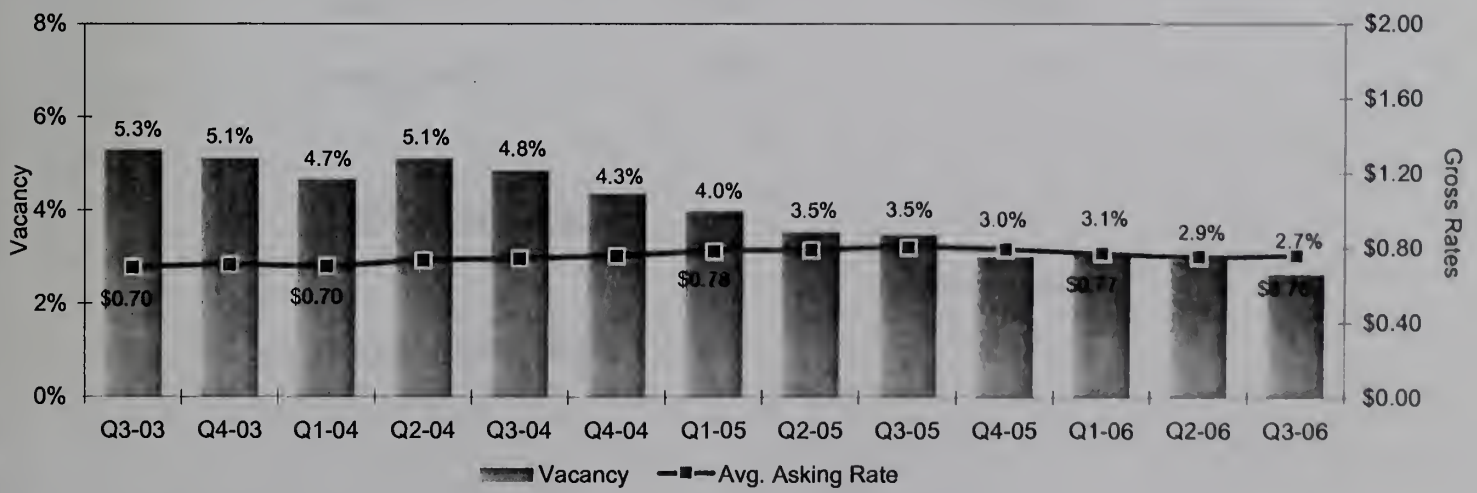


San Francisco County

Quarter	Q3-2005	Q4-2005	Q1-2006	Q2-2006	Q3-2006
Total Building Base:	19,426,478	19,426,478	19,426,478	19,426,478	19,426,478
Direct Availabilities:	606,969	480,226	519,376	476,800	437,360
Sublease Availabilities:	68,800	106,300	84,800	95,800	78,000
Total Availabilities:	675,769	586,526	604,176	572,600	515,360
Vacancy Rate:	3.5%	3.0%	3.1%	2.9%	2.7%
Gross Absorption:	202,399	219,219	80,350	62,500	132,696
Net Absorption:	10,442	42,286	-17,650	31,576	57,240
Build-To-Suit:	0	0	0	0	0
New Spec Construction:	0	0	0	0	0
Total New Construction:	0	0	0	0	0
Available Listings:					
Market Rent Range (GR)*	$0.40-$1.40	$0.40-$1.41	$0.50-$1.37	$0.52-$1.37	$0.52-$1.38
Avg Asking Rate (GR):*	$0.80	$0.79	$0.77	$0.75	$0.76
Avg Time on Market:**	14.6	14.6	16.2	17.0	19.3
Listings By Size (#):					
100,000 SF & Up	0	0	0	0	0
50,000 - 99,999 SF	3	3	3	3	2
25,000 - 49,999 SF	6	5	6	7	7
10,000 - 24,999 SF	13	9	11	7	7
Totals:	22	17	20	17	16

*(Gross Rate) Weighted Average, NNN rate converted @ rates ranging from $0.10/SF to $0.12/SF. ** Average Time on Market reflected in Months.

Vacancy & Average Asking Rate Trend



NAI BT Commercial
Commercial Real Estate Services, Worldwide

The information contained herein while not guaranteed has been secured by sources we deem reliable. All information should be verified prior to lease or sale.

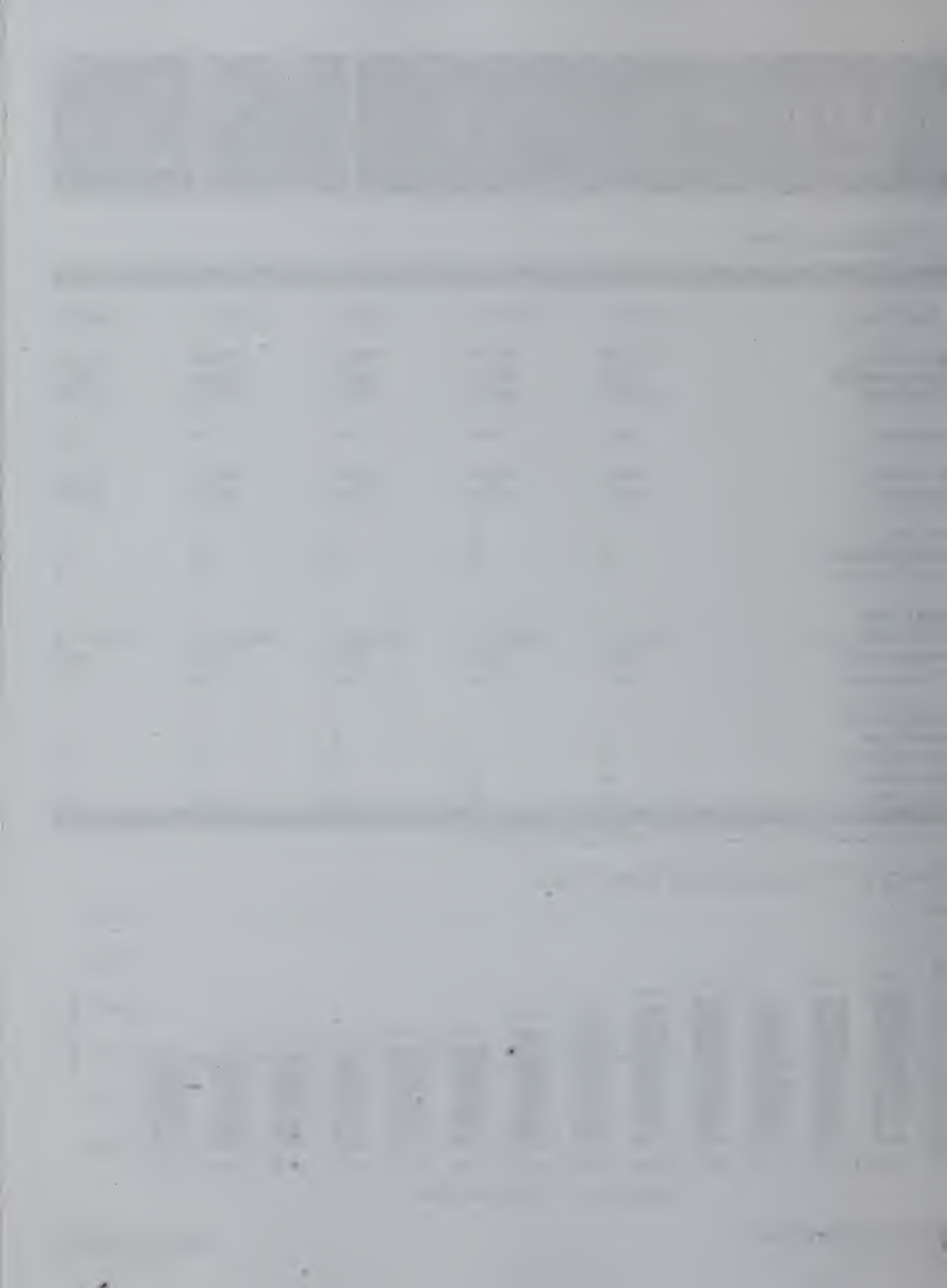


EXHIBIT A

PORTWIDE VACANCY RATE SUMMARY

AS OF 11/08/06

Central Waterfront Portfolio

	Office	Industrial
Leased Space:	217,858	5,140,569
Vacant Space:		7,018
Total:	217,858	5,147,587
Vacancy Rate:	0.00%	0.136%

Northern Waterfront Portfolio

	Office	Industrial
Leased Space:	357,901	3,249,147
Vacant Space:	17,140	117,495
Total:	375,041	3,366,642
Vacancy Rate:	4.57%	3.489%

Southern Waterfront Portfolio

	Office	Industrial
Leased Space:	111,434	5,272,682
Vacant Space:	4,949	289,400
Total:	116,383	5,562,082
Vacancy Rate:	4.25%	5.2%

Portwide Inventory

	Office	Industrial
Average Vacancy Rate:	3.00%	3.00%

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational presentation regarding the environmental review and energy policy considerations related to the proposal by Trans Bay Cable LLC ("TBC") to install an electricity transmission line at 23rd Street and the San Francisco Bay and proposed terms of the proposed Port-TBC agreements.

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY; NO ACTION REQUIRED

Introduction

Trans Bay Cable LLC ("TBC") proposes to install a 400 MW high voltage direct current transmission line ("Project") beneath the Bay, between the cities of Pittsburg and San Francisco. The subject of this report is the environmental review and approval process for the Project, the role the Project will play in the City and County of San Francisco's transmission grid and related energy policy considerations, and draft terms of the proposed Port-TBC license agreements, subject to further negotiation. Port staff made an informational presentation to the Port Commission on December 12, 2006 regarding the Project.

Background

The Project sponsor is a wholly-owned subsidiary of Babcock & Brown LP, a San Francisco-based company, in cooperation with Pittsburg Power Company, a municipal utility. The primary goal of the Project is to transmit electrical power from the East Bay, which has excess electricity-generation capacity and to reduce transmission grid congestion to the distribution facilities in San Francisco.

The California Independent System Operator (CAISO) approved the Project as the preferred long-term transmission alternative to address the identified electric reliability concerns in San Francisco and northern San Mateo County beginning in 2012 and supports an earlier date of operation.

This Print Covers Calendar Item No. 10D

CAISO staff has recently reviewed this analysis and now propose that San Francisco faces a potential reliability problem as early as 2010. CAISO is a not-for-profit public-benefit corporation, created as a result of California's electric restructuring that is charged with operating the majority of California's high-voltage wholesale power grid. Among its duties are engaging in planning to ensure reliable electric service.

Part 1 of the informational presentation and this report is intended to brief the Port Commission ("Commission") about the environmental review conducted for the Project and the Commission and Board of Supervisors' role in approving the Project.

Part 2 of this report describes the role the Project will play in the City's energy future and describes other Projects proposed to meet the City's energy demand.

Part 3 of this report summarizes the terms of the proposed Port-TBC license and related agreements, subject to continued negotiation with TBC.

Project Description

The Project consists of the following major components:

- Approximately 53 miles of 10-inch diameter high voltage direct current ("DC") cable buried in Bay sediment between PG&E's Pittsburg Substation and its San Francisco Potrero Substation, including 9.4 miles of submerged lands and a small portion of shoreline under Port jurisdiction (see Exhibit A).

- A DC cable route from the edge of the San Francisco Bay immediately south and east of 23rd Street to a San Francisco converter station site.

- Construction of converter stations in Pittsburg and San Francisco, which are utilized to convert DC transmitted by the cable to alternating current ("AC"). In San Francisco, pursuant to the Project Final Environmental Impact Report ("FEIR"), the mitigated location for this proposed 5-acre converter station is the Harrigan Weidenmuller Company ("HWC") site, which is private property located on Illinois Street between 23rd and 24th streets.

- An AC cable route connecting the San Francisco converter station site and the existing local PG&E Potrero Substation.

Part 1. Project Environmental Review and Required Approvals

Background

The City of Pittsburg ("Pittsburg"), which is the lead agency for the Project under the California Environmental Quality Act ("CEQA"), published the Draft EIR ("DEIR") in May 2005. The DEIR concluded that while many impacts associated with the Project were potentially significant, with implementation of the proposed mitigation measures only one remained significant: the cultural resources impact resulting from demolition of two potentially historic warehouses on the HWC site that would be demolished in order to construct the San Francisco converter station. With

publication of the DEIR, TBC and Pittsburg undertook public outreach efforts, both general outreach to solicit stakeholder and community input, and CEQA-required meetings and hearing. The outreach efforts are appended to the December 12, 2006 Port Commission staff report on the Project.

City Staff Review and Comment on DEIR

The City of San Francisco, including the Port, is a responsible agency under CEQA, and as such is responsible for consulting with the lead agency during preparation of the EIR and considering environmental effects of the Project that relate to the City's discretionary actions. To fulfill the first part of these obligations, City staff met with TBC and Pittsburg staff on June 12th and June 21st, 2006, and commented on the DEIR on July 10, 2006. The City submitted more than 80 comments that addressed many sections of the DEIR, including the purpose and need for the Project, the alternatives analysis, air quality, potential to disturb contaminated soil and sediment, mitigation measures monitoring, noise and visual impacts on open space, recreation, and potential future residential development, and impact on historic resources associated with the proposed demolition of the two potentially historic warehouses. Many of the City's comments requested clarification or additional information. Pittsburg responded to the City's comments in its "Response to Comments" document, issued as a part of the Project's FEIR on October 16, 2006.

Pittsburg Responses to Comments and FEIR Addendum

The Pittsburg response addressed many of the City's comments, including relocating the San Francisco converter station to the west side of the HWC site, referred to as the "Mitigated HWC Site", which eliminated the impact to historic buildings. The FEIR concluded that with implementation of the proposed mitigation measures and other revisions to the Project (i.e. relocation of the converter station to the Mitigated HWC site), the Project resulted in no potentially significant impacts.

On October 27, 2006, the City submitted a second letter to Pittsburg, commenting on the FEIR, specifically with respect to concerns regarding the alternatives analysis, reliability of the cable, the air emission modeling that was done to evaluate air quality impacts, implementation of required mitigation measures monitoring, and noise and visual impacts. In a response to the City by letter dated November 6, 2006, Pittsburg addressed the City's outstanding comments, including committing to hire a 3rd-party firm, at TBC's expense, to implement the mitigation measures monitoring and reporting. Also on November 6, 2006, Pittsburg, as the lead agency, certified the FEIR and issued several project approvals and, in doing so, adopted CEQA findings and a mitigation measures monitoring program, and filed a Notice of Determination. Copies of the City's comment and response letters are on file with the Port Commission Secretary.

After certification of the FEIR, Pittsburg issued an Addendum to the EIR in December 2006, to describe proposed changes to the Project due to the commercial availability of new technology for the converter facilities in both Pittsburg and San Francisco. The proposed changes to the converter station design would decrease its footprint and height, among other changes, and would lead to further reductions in the Project's already less-than-significant impacts to visual quality, noise, and construction-related air quality. The Addendum concluded that the proposed changes did not trigger CEQA's requirements for a supplemental or subsequent environmental impact report, (CEQA

Guidelines section 15162), and would further reduce the Project's less than significant impacts.

Port/City as Responsible Agency

To fulfill the second part of its role as a responsible agency, the City must consider the environmental effects of the Project, as identified by the FEIR and Addendum, that relate to the City's discretionary actions. The City, as a responsible agency, must assume the validity of the FEIR and Addendum[1]. Prior to taking any Project-related discretionary act, the City must: make findings regarding each significant environmental effect of the Project that relates to the City's approvals; adopt a statement of overriding considerations, if necessary, for any significant effect related to the City's approvals that is not mitigated to a less than significant level; and adopt mitigation measures.

As noted above, both the FEIR and Addendum conclude that all environmental impacts have been mitigated to a less than significant level. Consequently, if the Port approves a license or lease with TBC, it must adopt CEQA findings, including a finding that the City considered the FEIR and Addendum prepared by the lead agency, and adopt those portions of the Project's mitigation monitoring and reporting program that relate to the City's approvals.

Copies of the draft CEQA findings that the Port Commission would have to consider prior to taking action on the Project are attached as Exhibit B.

Part 2. Energy Policy Considerations

Background

It is important to note that the Port of San Francisco does not have the requisite professional staff to evaluate the potential benefits and drawbacks of the Trans Bay Cable proposal from an energy policy perspective. Further, Port staff does not intend to make a recommendation about the Project from an energy policy perspective. If the Port Commission approves a Trans Bay Cable license, the matter could be forwarded to the Board of Supervisors with recommendations related to the license, with evaluation of the Project itself left to the City and the Board of Supervisors.

The following information was gathered from the Project Sponsor, CAISO reports and memos, and comments from City energy experts such as San Francisco Public Utilities Commission ("SFPUC") staff. SFPUC has not taken any formal position on the Project.

The Project raises the issue of how to address the long-term reliability of electric service in San Francisco starting in the year 2012.[2] This is beyond the time-period covered in both the City's Electricity Resource Plan, which covered the period 2002-2012, and the CAISO Action Plan (discussed below).

[1] If a responsible agency contests the validity of a CEQA document, CEQA provides that the agency may file a CEQA lawsuit within 30 days of issuance of the lead agency's Notice of Determination. The option for the City to challenge Pittsburg's Notice of Determination expired in December 2006.

[2] CAISO now believes there may be a need for the Project starting in 2010. This issue is discussed further below.

Ensuring Reliability: 2002-2012

In 2002, the City adopted its Electricity Resource Plan ("ERP"). The major goals of the ERP were to close the Hunters Point Power Plant; close the Potrero Power Plant; and allow "for the gradual displacement of existing fossil fuel generation by increased energy efficiency and renewable energy technologies, with a long term goal of zero greenhouse gas emissions." The ERP also recognized the need to address environmental justice issues.

After the ERP was adopted in 2002, a stakeholder group composed of CAISO, PG&E, the City and other interested stakeholders was formed to develop an action plan to address electric reliability issues in San Francisco which would allow for the closure of the Hunters Point and Potrero power plants.

In November 2004, the CAISO Board of Governors adopted the "Revised Action Plan for San Francisco" (Action Plan). The Action Plan is attached to this report as Exhibit C. It is currently being implemented by PG&E, the City, and CAISO.

The first phase of the Action Plan, designed to close the Hunters Point Power Plant included nine (9) transmission system upgrades, including the Potrero-Hunters Point 115 kV Cable Project approved by the Port Commission on June 14, 2005, that were necessary to improve electric reliability and meet load demand forecasts for San Francisco sufficient to allow an end to the CAISO "must-run" status for the Hunters Point Power Plant.

PG&E has completed all of these transmission system upgrades. The Hunters Point Power Plant ceased operation in May, 2006 and PG&E is in the process of decommissioning the plant.

CAISO Action Plan to Close Potrero Units 3, 4, 5, & 6

Phase 2 of the Action Plan relies on the completion of the City's Electric Reliability Project, currently scheduled for completion prior to the summer of 2009. This project consists of four 50 MW combustion turbines, three of which are proposed for a portion of the Western Pacific property just north of Pier 80 and one turbine located at San Francisco International Airport. This will allow CAISO to lift its Reliability Must-Run ("RMR") contract[3] for Potrero Unit 3. Lifting RMR status for Potrero Units 4, 5 and 6 requires several additional transmission system upgrades, all of which are either completed or expected to be completed by 2009.

With the completion of the above actions, and the removal of RMR status for all of the Potrero units, it is expected, although not guaranteed, that the Potrero units will shut down. The construction of the Project does not affect the potential closure of the Potrero power plants.

The 150 MW City Electric Reliability Project proposed for the Western Pacific property near Pier 80 will be subject to Port Commission review and approval later in 2007.

[3]CAISO uses RMR contracts to provide economic payments to power plants that are needed to maintain reliability but that might not be able to be financially viable if forced to rely solely on revenues from selling energy into the marketplace. It is expected, although not guaranteed, that without an RMR contract, Mirant (the owners of Potrero) will not find it economical to continue operation of the plant.

Post-2012 Reliability and CAISO's San Francisco Peninsula Long Term Transmission Reliability Selection Process

The Action Plan developed by CAISO did not address the longer-term actions needed to maintain reliable electric service in San Francisco beyond 2012. CAISO continued to utilize the stakeholder group process, including the SFPUC and other San Francisco Stakeholders, to establish a long-term (ten-year) transmission plan beyond the implementation of the Action Plan. This effort, called the San Francisco Peninsula Phase 2 Long - Term Electric Transmission Planning Technical Study, was initiated by CAISO in February 2004. The CAISO Phase 2 final report was issued in November, 2005 (The Phase 2 Report). The Phase 2 report concluded that beginning in 2012, there would be reliability planning issues facing the San Francisco and the Northern San Mateo County areas. The report assumed the closure of the Potrero Power Plant.

With the closure of the Potrero Power Plant, the San Francisco Electric Reliability Project will be the only generation remaining in the San Francisco area except for a 28 MW combustion turbine located adjacent to the San Francisco International Airport. The remaining 90% of the area's load will be served by existing transmission lines emanating south of San Francisco, through the San Francisco Peninsula corridor, and onward to the Pittsburg, Contra Costa, Tesla, and Metcalf Substations. Due to its geographical orientation, load in San Francisco and the adjacent peninsula corridor is considered electrically "radial" to the remaining transmission infrastructure in the overall Greater Bay Area.

The Phase 2 report studied five options to determine the best means to ensure reliable service. These options included:

1. Status Quo - Do nothing beyond utilizing the transmission facilities and generation planned to exist once the Action Plan for San Francisco is fully implemented by the end of 2007. Rely upon new load management and or distributed/renewable generation programs to maintain reliable load-serving capability beyond 2007. **CAISO Analysis:** CAISO determined that this alternative did not meet the objective of establishing long-term reliable load serving capability, nor did it meet the reliability Planning Standards and for that reason was rejected as an acceptable option.

2. Upgrade and Replace Existing Facilities - Utilize existing transmission infrastructure to support existing and anticipated load growth in the area. When needed, employ replacing, reconductoring, re-rating and operating alternatives to mitigate transmission system overloads and low voltages. **CAISO Analysis:** CAISO determined that this alternative did not meet the objective of establishing long-term reliable load serving capability. It provides enough load-serving capability to serve the San Francisco Peninsula load only up to 2018, beyond which a major new transmission project will be needed in this area. Permitting and building this new transmission in 2018 will be extremely difficult, if not impossible due to the population growth around the existing transmission facilities.

3. Moraga-Potrero 230 kV Line - Build a new 230 kV AC line from Moraga Substation in the East Bay to the Potrero Substation in San Francisco. This new line would include a combination of overhead or underground facilities from Moraga to the San Francisco Bay and then run beneath San Francisco Bay to Potrero Substation. **CAISO Analysis:** While CAISO determined that this alternative will provide long-term reliable load serving capability, the ability to successfully permit

and construct this project by 2012 is very uncertain. As such, this alternative is not preferred due to its high implementation uncertainty, risks, and costs associated with successful routing and timely permitting. The potential capital cost of this alternative is estimated at $274 million but could be much higher due to its implementation uncertainties as related to the ability to obtain and permit a route through the congested Oakland area.

4. Tesla-Potrero 230 kV Line - Build a new 230 kV circuit from Tesla Substation to San Ramon Substation, reconnecting at the San Ramon Substation, reconductoring of 230 kV circuits between San Ramon and East Shore substations, and installing a new 230 kV circuit from East Shore to Potrero substations. The portion of the project between the East Shore and Potrero Substations would include a new line across and above the San Francisco Bay and a new underground cable approximately parallel to the existing San Mateo - Martin 230 kV cable, which would extend to Potrero Substation. **CAISO Analysis:** CAISO found that, similar to the Moraga-Potrero alternative, the ability to permit and construct the Tesla-Potrero alternative is uncertain. CAISO found that this alternative does not provide the desired diversity and increased security of power supply. Siting another transmission project through this area would be complicated considering the recent siting of the Jefferson-Martin line in the same area. This alternative will also require the construction of a new transmission facility across and above the San Francisco Bay as well as through the eastern boundary of the Bay Area. CAISO did not select this alternative due to its high implementation uncertainty and risks associated with new construction through the San Francisco peninsula corridor and across the San Francisco Bay. In addition, the potential capital cost of this alternative is estimated at $457 million. Due to the capital cost of this alternative, CAISO did not perform an economic assessment of this alternative.

5. Trans Bay Cable - CAISO chose this project stating that it fully meets the objective of establishing long-term reliable load serving capability by adding 400 MW of transmission load serving capability upon its initial operation beginning in 2012. This alternative will increase the diversity of transmission routes (a second path way) to San Francisco through installation of controllable transmission capacity from PG&E's Pittsburg Substation in the East Bay to Potrero Substation in San Francisco. It will unload the existing transmission system that serves load in San Francisco and therefore improve normal day-to-day system operation.

Additionally, CAISO performed technical and economic analyses to assess the reliability benefits and the cost to CAISO ratepayers for advancing the in-service date for the Project by three years from 2012 to 2009. CAISO concluded that expediting TBC's in-service date from 2012 to 2009 would increase consumer costs by $26 million (net present value) but the ISO considered this increased cost a reasonable price premium for reliability. This analysis was conducted using the Project's stated $300 million cost, and has not been up-dated to reflect any changes in project cost.

On September 8, 2005, CAISO Board of Governors approved the Project as the preferred long-term transmission alternative to ensure reliable operation of the transmission system within the San Francisco Peninsula Area for the period of 2009 and beyond.

Selected Stakeholder Responses

The City formally registered its neutrality with respect to the Trans Bay Project and requested that CAISO consider other alternatives that may reduce RMR costs and address concerns of other parties before proposing this preferred alternative.

In its comments on the EIR, the City noted that the "status quo" alternative should have been "Upgrade and Replacement of Existing Facilities" since PG&E and CAISO are both under a legal obligation to make necessary upgrades to maintain system reliability. This option would have maintained reliability until 2018 at a cost of approximately $150 million. The City also noted that the Phase 2 study conducted only a "cursory" examination of the availability of energy efficiency and demand response programs to reduce demand in San Francisco.
Steven Moss of SF Community Power commented that "Deferred investment not incorporated as an option in [the report]. How much (MW) is the reliability need in 2012? Why are we spending $300 million to address this need in 2012? We should be able to pursue other alternatives to address this reliability need."

The Cities of Alameda, Palo Alto & Santa Clara and Calpine urged that CAISO to analyze the Greater Bay area problem and that a new project from outside the Bay Area be analyzed.

PG&E and Sea Breeze sent letters to CAISO requesting additional time to develop their proposed project alternatives (either an AC or DC line between Moraga and Potrero Substations). Their request was denied at the CAISO Board meeting.

Updates to CAISO Analysis

CAISO has revisited the Phase 2 Study and presented its findings at a February 15, 2007 stakeholder meeting. CAISO reaffirmed that, based on current information, completion of the initial CAISO Action Plan will allow for the removal of RMR status for the Potrero power plants independent of the status of the Project. CAISO continues to believe that the Project is the preferred alternative to address the longer-term reliability need.

CAISO released revised and updated forecasts, which showed a need for improving reliability for San Francisco starting in 2010 (or 2011)[4] rather than the 2012 initially contemplated. The degree to which San Francisco does or does not meet the reliability criteria established by the ISO appears to be sensitive to forecasted demand under adverse conditions[5].

FERC Approval Process and Potential Rate Impacts

FERC has already approved in principle, the rate structure that TBC will receive. For the first three years of its operation, TBC will receive a 13.5% after-tax return on equity. Rates for the Project will be set assuming that financing will be 50% debt and 50% equity, although TBC may choose a

[4] The forecasts accompanying the CAISO presentation show San Francisco meeting reliability criteria, although barely, in 2010. This assumes completion of the Action Plan and the shutdown of the Potrero units.
[5] For reliability purposes peak demand is determined based on hotter-than-normal weather conditions resulting in higher electric demand due to air conditioning usage. CAISO calculations use a peak demand based on a 1 in 10 year calculation.

different financing ratio. Project costs were initially estimated at $300 million but Trans Bay will be able to seek recovery of all prudently incurred project costs from FERC.

Part 3. Draft Port-TBC License Terms

Port staff and TBC have tentatively agreed to utilize an appraiser from the City's appraisal pool to conduct an appraisal using methodology utilized by the California State Lands Commission ("SLC") prior to assembling its license agreement with TBC, approved on December 15, 2006. The resulting appraisal is not complete as of this writing.

The proposed agreement includes the following proposed terms, which are subject to further negotiation between the Port and TBC:

License Area:	Parcel A: approximately 9.4 miles of submerged land running from the San Francisco County line to the San Francisco shore immediately south of 23rd Street, equaling approximately [__] square feet. Subject to refinement when final construction plans are complete. Parcel B: approximately [__] square feet of land running from the San Francisco shore south of 23rd Street to [LOCATION].
Use or Permitted Activities:	The Port contemplates two non-exclusive licenses with consecutive terms, one for the construction period and the other for the operational period. 1. Construction period license: installing, maintaining and limited start-up testing of the Project. Licensee will be required to restore the license area after construction pursuant to all regulatory and permitting requirements. 2. Operation period license: use and maintenance of the Project, including but not limited to the right to excavate, repair, reconstruct, replace (but in no event greater in diameter than the original cable system), and remove, the Project solely for the transmission, transportation and/or distribution of electric energy and communications between the converter stations in Pittsburg and San Francisco. Licensee is strictly prohibited from profiting from any third-party use of the fiber optic cable within the Project.
Commencement Dates:	1. Construction period license: Upon Port Commission and Board of Supervisors approval and execution of the license by both Port and Licensee (estimated to occur mid-late 2007). 2. Operation period license: Upon expiration of the construction license.

Rent Commencement Date:	1. Construction period license: [DATE] 2. Operational period license: Upon expiration of the construction license.
Base Rent:	1. Construction period license: [SUBJECT TO APPRAISAL] 2. Operational period license: [SUBJECT TO APPRAISAL]
Term:	1. Construction period license: approximately [48 months]. 2. Operational period license: 25 years, with options to renew for four (4) consecutive ten year periods at fair market rent.
Early Termination Right by Licensee:	Licensee must provide no less than 18 months notice and pay termination fee equal to the rent payable for one year following the proposed termination date.
Security Deposit:	Cash deposit equal to two months' of rent due.
Letter of Credit:	1. Construction period license: $5 million letter of credit, securing any requirement of a Regulatory Agency for Investigation or Remediation of any Hazardous Materials arising out of or in connection with the construction of the Project, including, without limitation, requirements which would not have been imposed except for Licensee's use of the License Areas or Licensee's Permitted Activities. The Letter of Credit will be maintained from the start of the construction period through six (6) months after delivery of excavation samples to the Regional Water Quality Control Board. After such six (6) month period, the letter of credit will be reduced to equal $1 million to secure all obligations under the license. 2. Operation Period License: $1 million letter of credit throughout term to secure all obligations under the license, which amount shall be increased to up to $5 million indexed to CPI, set by Port Executive Director each time there is construction involving disturbance of soils and/or Bay mud near the San Francisco Bay shore in the License Area. The letter of credit will be reduced to $1 million following six (6) months after delivery of excavation samples to the Regional Water Quality Control Board.
Environmental Oversight Deposit	$10,000, adjusted every five years by the cumulative CPI from execution of the construction period license, to secure Port costs and expenses related to the increased environmental and regulatory inspection, monitoring, enforcement and administration of these licenses. The deposit must be replenished if drawn upon by Port.

Decommissioning:	At least 18 months prior to expiration or earlier termination of the license, Licensee to submit a final cable removal plan. Licensee to remove cable infrastructure unless otherwise instructed by Port.
Assignment:	Licensee may, with thirty (30) days notice, assign Licensee's interest in this License to the City of Pittsburg and Pittsburg Power Company (each, a "Permitted Assignee"). Except in connection with an assignment to a Permitted Assignee, Licensee must obtain Port's prior written consent, which consent shall not be unreasonably withheld, with respect to every proposed assignment or transfer of the license. Licensee shall give Port at least forty-five (45) days prior written notice of any desired assignment (herein "Notice of Request to Assignment") and shall provide Port with the following information in writing: (a) the name, address, legal composition and ownership of the proposed assignee, (b) the current balance sheet and profit and loss statements for the proposed assignee, such financial statements to be certified in writing to be true and correct and to be prepared in accordance with generally accepted accounting principles, (c) a full description of the terms and conditions of the proposed assignment, (d) a pre-screening and Leasing Application, or other similar document, completed by the proposed assignee and delivered to Port, and (e) any other information, documentation or evidence as may be requested by Port, all in sufficient detail to enable Port to evaluate the proposed assignment and the prospective assignee. Assignments to entities other than Permitted Assignees are subject to Port Commission approval.
Insurance:	Comprehensive General Liability Insurance, Workers' Compensation as required by Law with Employer's Liability Insurance, Comprehensive Automobile Liability Insurance, Contractor's Pollution Legal Liability Insurance, Protection and Indemnity Insurance or other form of Watercraft Liability Insurance and Vessel Pollution Insurance in amounts and a form of coverage acceptable to the City Risk Manager.
Condition of Property:	Licensee accepts the License Area "AS IS", "WITH ALL FAULTS" and Licensee shall maintain the License Area so it will not be unsafe, unsightly or unsanitary as a result of the Permitted Activities. Port disclaims any representations or warranties, express or implied, concerning the physical or environmental condition of the License Area, the present or future suitability of the License Area for Licensee's business, or any other matter whatsoever relating to the License Area, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

Indemnity:	General Indemnity. Licensee agrees to indemnify, hold harmless and defend, the City and Port and their respective officers, agents and employees (collectively, the "Indemnified Parties"), without cost to the Indemnified Parties, from and against any and all Claims arising in any manner out of (a) any injury to or death of any person or damage to or destruction of any property occurring in, on, under or about the License Area, or any part thereof, whether to the person or property of Licensee or its Agents (as defined in the License), or third persons, to the extent resulting from Licensees' use of the License Area under this License; (b) any failure by Licensee or its Agents to faithfully observe or perform any of the terms, covenants or conditions of this License; or (c) the use of the License Area or any activities conducted thereon under this License by Licensee or its Agents Toxics Indemnity: Licensee agrees to indemnify, hold harmless and defend, without cost to the Indemnified Parties from any and against any Claims resulting from (a) any Release of Hazardous Materials at the License Area caused by or allowed by Licensee or its Agents or invitees during the term of this License; (b) any requirement of a Regulatory Agency for Investigation or Remediation of any Release of Hazardous Materials at the License Area caused or allowed by Licensee or its Agents during the term of this License; (c) any Handling of any Hazardous Materials produced by Licensee during the performance of the Permitted Activities; or (d) any breach of or failure to perform or observe any term, covenant, or agreement in this License to be performed or observed by Licensee, including, but not limited to any violation of any Environmental Law.
Submission of Documents:	Copies of all reports, tests, samplings and any other reports or documents required under the leases with the SLC and City of San Rafael (including, but not limited, to, a hazardous spill contingency plan and critical operations and curtailment plan)
Public Benefits:	[Subject to further negotiation.] The Port contemplates negotiating a package of public benefits with TBC, including but not limited to funding for maintenance of shoreline open space south of Pier 70 and implementation of energy conservation and renewable energy projects on Port property. As of this writing, these negotiations are not complete.

Conclusion

Port staff will continue to negotiate with the TBC regarding licenses and related agreements to use Port property and to consult with the Mayor Gavin Newsom's Office, the SFPUC, and Port advisory groups and other Port constituents regarding the proposed Project. Depending on the outcome of this negotiation and consultation, Port staff expects to return to the Port Commission as early as March 13, 2007 for its possible action on the TBC CEQA findings and related license agreements.

Prepared by: Brad Benson, Special Projects Manager

Exhibit A:
Proposed Trans Bay Cable Route – San Francisco

EXHIBIT A
PROPOSED TRANS BAY CABLE ROUTE
FROM SAN FRANCISCO COUNTY LINE
TO SAN FRANCISCO SHORE

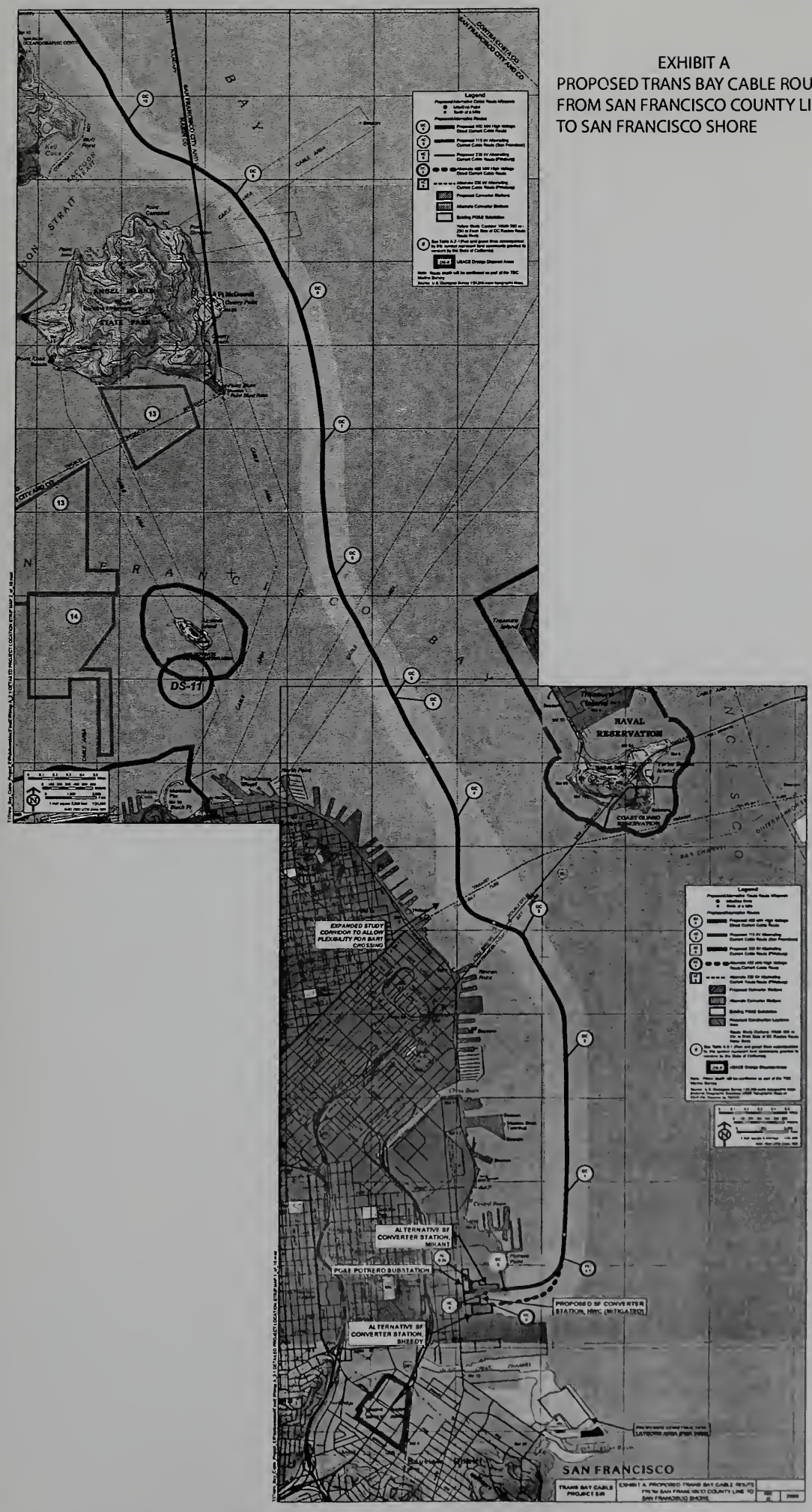


Exhibit B:
DRAFT Port Commission CEQA Findings for Trans Bay Cable

FINDINGS OF THE PORT COMMISSION AFFIRMING THE TRANS BAY CABLE PROJECT LICENSES

I. INTRODUCTION

The following findings of fact and recommendations regarding mitigation measures and alternatives are hereby adopted based on substantial evidence in the whole record of these proceedings by the Port Commission ("Port") for the Trans Bay Cable Project ("Project") pursuant to the requirements of the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq., (CEQA), the Guidelines for Implementation of CEQA, 15 Cal. Administrative Code Sections 15000 et seq., (CEQA Guidelines) and Chapter 31 of the San Francisco Administrative Code.

These findings are based on the Final Environmental Impact Report ("FEIR") for the Trans Bay Cable Project ("Project"), certified by the City of Pittsburg on November 6, 2006, via Resolution No. 06-10661, and on the Environmental Impact Report Addendum for the Trans Bay Cable Project ("Addendum"), published by the City of Pittsburg on December 26, 2006. The City of Pittsburg is the lead agency for the Project, and the Port is a responsible agency. Accordingly, pursuant to CEQA Guidelines Section 15096, the Port is responsible for considering the FEIR and the environmental effects identified therein and reaching its own conclusions on whether and how to approve the elements of the Project described below that are within the Port's jurisdiction. Pursuant to CEQA Guidelines Section 15096(g), the Port is responsible for avoiding only the direct or indirect environmental effects of those parts of the Project that it decides to carry out, finance, or approve. The Port is also required to make the findings in CEQA Guidelines Section 15091 (Findings) for each significant effect and those in Section 15093 (Overriding Consideration), if warranted.

These findings are adopted, and incorporated by reference, in Port Commission Resolution Nos.___ and _____, dated March 13, 2007, approving three licenses to use Port property. These include (1) a construction period non-exclusive license for construction of a 400 megawatt high voltage direct current (HVDC) transmission line on (a) approximately 545,952 square feet of submerged land (9.4 miles long by 11 feet wide) running from the San Francisco County line to the San Francisco shore immediately south of 23rd Street; and (b) an approximately _____ square foot portion of land running from the San Francisco shore south of 23rd Street to the converter station site on Illinois Street between 23rd and 24th Streets (collectively, the "Port Property"); and (2) a non-exclusive, 65-year (25 years with options to renew for four ten year periods) license to use the Port Property for an underground/underwater HVDC PLUS transmission cable, including, but not limited to, the right to excavate, construct, repair, reconstruct, replace (facilities of substantially the same initial or small size), remove, maintain and use the facilities for the transmission, transportation and/or distribution of electric energy, subject to approval by the Board of Supervisors. These findings are further adopted and incorporated by reference in Port Commission Resolution No. ___ approving a license for construction laydown utilizing approximately 5-7 acres of land at the Pier 94-96 Backlands

during the construction phase of the Project. These three licenses are referred to collectively herein as the "Licenses".

The overall Project consists of the burial of approximately 53 miles of submarine HVDC PLUS cable bundle under San Francisco Bay, from a Converter Station to be constructed in the City of Pittsburg to a Converter Station to be constructed in the City and County of San Francisco. The purpose of the project is to transmit electrical power from the East Bay, which has excess electricity generation capacity, to San Francisco. The California Independent System Operator (CAISO) approved the Project as the preferred long term transmission alternative to address the identified reliability problems in Northern San Mateo County and San Francisco.

The FEIR evaluates the potential environmental impacts associated with the entire Project, much of which is outside the jurisdiction of the Port and of the City and County of San Francisco and located either in the City of Pittsburg or in areas of the San Francisco Bay outside Port jurisdiction. The Addendum evaluates the potential environmental impacts associated with certain technological and design refinements to the Project, including adoption of "HVDC PLUS" technology for the converter stations in place of the previously proposed HVDC technology, and refinement of the HVDC submarine cable design to accommodate the HVDC PLUS technology and design.

The findings contain the following sections:

Article II is the Description of the Record.

Article III contains a description of the entire Project and a description of the San Francisco components of the Project, including the Licenses.

Article IV sets forth findings as to the disposition of each of the mitigation measures proposed in the FEIR and Addendum. The Addendum does not modify the mitigation measures identified in the FEIR. These measures fall into the following categories: (1) measures adopted by the Port Commission exactly as proposed in the FEIR and Addendum and that will be implemented as a condition of the applicable License(s), and (2) measures adopted by the Port Commission to be implemented as a condition of the applicable License(s) and that also apply to areas outside of the License(s) areas and so are within the joint jurisdiction of the Port and other agencies. Exhibit 1, attached to these Findings, contains the full text of the FEIR mitigation measures that are within the jurisdiction of the Port or any other subdivision of the City and County of San Francisco and that will be implemented as part of Port Commission approval of the License(s). Exhibit 2 contains the Mitigation Monitoring and Reporting Program.

Article V of this document addresses the FEIR/Addendum alternatives and the reasons for the Port's rejection of those alternatives in the context of approving the Licenses.

With implementation of the proposed mitigation measures, the FEIR concludes that all of the identified potentially significant impacts would be reduced to levels that are less than significant. The Addendum concludes that implementation of HVDC PLUS technology will further reduce

impacts. Implementation of the proposed Project is not expected to result in any unavoidable adverse significant impacts.

II. DESCRIPTION, LOCATION, AND CUSTODIAN OF THE RECORD

The public hearing transcripts, a copy of all letters received during the public review period, the administrative record, and background documentation of the FEIR and Addendum are located at the Planning Department, 1660 Mission Street, San Francisco. The Planning Department is the custodian of record.

Findings are based on substantial evidence contained in the record before the Port Commission. For ease and clarity of reading, specific citations to information in the record upon which each finding is based may have been omitted. In all instances, however, these findings are based on the information contained in the FEIR and/or Addendum, as supplemented with information provided by the applicant, consultants, and interested parties, and reasonable inferences drawn from such information, identified below. Much of this information was cited in the FEIR and/or Addendum; all of this information has been and will continue to be available for public review at the offices of the San Francisco Planning Department and/or the Port of San Francisco.

For purposes of CEQA and these findings, the record before the Port Commission includes, without limitation, the following:

A. All application materials and supporting documents submitted by the Project Sponsor, Trans Bay Cable LLC;

B. The FEIR, including the Draft EIR, comments received on the Draft EIR, Responses to Comments, text changes to the FEIR, and all appendices;

C. An Addendum to the FEIR, dated December 26, 2006;

D. The Mitigation Monitoring and Reporting Program for the Project;

E. All meeting agendas, minutes and reports to the Central and Southern Waterfront Advisory Groups, Port Commission, or other Boards and Commissions attachments, references and material kept in the ordinary course of business associated with the public planning process and related to the Project;

F. All relevant staff and public reports and memoranda kept in the ordinary course of business providing substantial evidence to support these findings and the FEIR, including attachments, appendices and references kept in the ordinary course of business;

G. All public notices, including, but not limited to, notices of preparation and completion issued for the Project, Licenses, and notices of public meetings.

III. DESCRIPTION OF TRANS BAY CABLE PROJECT

This section describes the activity the Port Commission proposes to authorize under the Project, and the relationship of the proposed Port actions to the overall activities analyzed in the FEIR, which assumes that the Project will employ HVDC technology. However, subsequent to the certification of the FEIR, an improved, more efficient technology, "HVDC PLUS," became commercially available, and Trans Bay Cable adopted the technology into the Project in part as a means to achieve a smaller overall Converter Station facility. The City of Pittsburg published an Addendum on December 26, 2006, which explains the reasons for concluding that adopting the HVDC PLUS technology and the associated changes in the Project were adequately addressed in the FEIR. Based on the FEIR and the Addendum, the Pittsburg Planning Department determined that:

1. No substantial changes have occurred in the Project that would involve new significant environmental effects or a substantial increase in the severity of previously identified significant effects;

2. No substantial changes have occurred with respect to the circumstances under which the Project is to be undertaken that would involve new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and

3. No new information of substantial importance has arisen since certification of the FEIR that identified new or substantially more severe significant impacts, that identified new mitigation measures or alternatives that would substantially reduce an identified significant effect, or that shows mitigation measures or alternatives previously found infeasible would be feasible and would reduce one or more significant effects.

A detailed description of the proposed Licenses and environmental evaluation documents is presented below.

A. The Licenses

Trans Bay Cable seeks three licenses from the Port Commission as follows:

(1) Approval of a non-exclusive construction period license for construction of a 400 megawatt HVDC PLUS transmission line on an approximately 545,952 square foot (9.4 miles by 11 feet) area of submerged land running from the San Francisco County line to the San Francisco shore immediately south of 23rd Street, and on an approximately __ square foot parcel of land running from the San Francisco shoreline south of 23rd Street to the converter station site at 23rd and Illinois St.;

(2) Approval of a non-exclusive, 65-year (25 years plus four ten year options) to use the HVDC PLUS transmission line, including but not limited to the right to excavate, construct, repair, reconstruct, replace (facilities of substantially the same initial or smaller size), remove, maintain and use the facilities for the transmission, transportation and/or distribution of electric energy, subject to approval by the Board of Supervisors; and

(3) Approval of a license for construction lay down to enter upon and use certain real property located in the area known as the Piers 94-96 Backlands during the construction of a proposed Converter Station at 435 23rd Street.

The Licenses would include FEIR mitigation measures as conditions of approval, to avoid or minimize significant environmental impacts as to aspects of the Project that are within the jurisdiction of the Port.

B. Project Analyzed in the FEIR

1. Background of FEIR and Addendum.

On November 6, 2006, the City Council of the City of Pittsburg certified the FEIR for the Project. Subsequently, an Addendum to the FEIR was published by the Pittsburg Planning Department on December 26 , 2006. The Addendum describes and analyzes the potential environmental impacts of Project refinements, including adoption of HVDC PLUS technology and design components into the Project design for the converter stations in San Francisco and Pittsburg in lieu of the previously contemplated HVDC technology.

2. FEIR Project Description.

As described in the FEIR and the CEQA Findings adopted by the City of Pittsburg, the Project is intended to provide San Francisco with a highly reliable, secure source of electricity to help meet San Francisco's electrical demand projected for 2012 and beyond. The Project would provide a dedicated connection between the East Bay, which has excess electrical generation capacity, and electrical transmission and distribution facilities serving San Francisco and Northern San Mateo County. The proposed HVDC transmission system for the Project is made up of the following primary components:

- Installation of approximately 53 miles of 400-kV HVDC transmission cable bundle (submarine and buried onshore)
- Construction of two new converter stations-- one in San Francisco and one in Pittsburg
- Installation of approximately 0.7 mile of new underground single-circuit 230 kilovolt (kV) alternating current (AC) transmission cable in Pittsburg
- Installation of approximately 0.2 mile of underground double-circuit 115 kV AC transmission cable in San Francisco

The Project is proposed by Trans Bay Cable LLC, an affiliate of Babcock & Brown, in cooperation with the City of Pittsburg and Pittsburg Power Company, a municipal utility. A consortium of Siemens Power Transmission & Distribution, Inc. (Siemens) and Prysmian Cavi e Sistemi Energia S.r.L (Prysmian) would provide the Converter Station and cable technology. Siemens, using Prysmian (or comparable) cable and installation technology, would provide converter technology, engineering, and procurement and construction management.

a. Submarine Cable

As analyzed in the FEIR, the cable bundle would consist of one 400-kV HVDC transmission cable, one metallic return cable, and one fiber optic communications cable. The HVDC PLUS technology analyzed in the Addendum and now proposed for the Project requires two, 200-kV HVDC transmission linesthat will be bundled with a fiber optic cable. The cable route was selected to avoid shipping channels, anchorages, dredge disposal areas, Regional Water Quality Control Board-listed toxic hotspot areas, and other known obstacles. The cable would be buried in a bundled configuration using the Hydroplow burial machine (or equivalent technology) towed by either the C/S Giulio Verne or by the barge. The working principle for the Hydroplow is to gently fluidize the seabed materials by the use of water jets in a narrow path and to a typical target depth of 3 to 6 feet, with the potential for local burial to greater depths if required, without displacing the majority of the material and minimizing the suspension of sediment in surrounding waters. The method effectively places cables at a consistent required depth of embedment in jettable bottom conditions.

b. Project components in San Francisco-- onshore and offshore

The San Francisco portion of the Project has the following components: construction of a Converter Station, installation of offshore, shoreline, and onshore HVDC cable bundle from the boundary of Port jurisdiction in the Bay to the Converter Station, installation of AC cable running from the Converter Station to the PG&E Potrero Substation, and a construction laydown area proposed to be located at Piers 94/96.

To avoid aquatic habitat and protect the cable at the shore crossing, the proposed cable bundle would exit the Bay floor in San Francisco through casings placed by horizontal directional drilling (HDD). The casings would commence in a boring pit to be located between 100 and 500 feet inland from the shoreline, and would terminate at an exit point approximately 1400 feet offshore. Burial in the Bay floor would begin at the exit of the casings.

With respect to onshore Project facilities in San Francisco, the Draft EIR proposed the San Francisco Converter Station to be located at the "HWC Site," located on 23rd Street south of the existing Mirant Power Plant and adjacent to San Francisco Bay. As discussed in the Draft EIR, utilization of the HWC Site would have required demolition of two potentially historic buildings. The FEIR shifts the previously proposed HWC Site layout to the western portion of the overall HWC Site as a mitigating action to completely avoid the need to demolish two historic buildings on the eastern portion of the overall HWC Site. The shifted site is referred to in the FEIR as the "HWC (Mitigated)" site. The HWC (Mitigated) layout is a subset of the HWC Site and is located between the western boundary of the HWC Site assessed in the Draft EIR and Illinois Street.

The proposed onshore route for the HVDC entry into the San Francisco Converter Station from San Francisco Bay runs west along 23rd Street before entering the Converter Station site. From there, double-circuit 115 kV HVAC interconnecting cable would exit the proposed San Francisco Converter Station from the north side and cross 23rd Street approximately 300 feet from the easterly line of Illinois Street, and then extend northward along the eastern boundary of

the existing PG&E Potrero substation, where it would enter the substation and connect with the electrical grid.

The proposed construction laydown area for the San Francisco site is south of the HWC Site off of Cargo Way at Pier 94/96. This area was identified as an alternate construction laydown site in the Draft EIR. The laydown area at Pier 94/96 is owned by the Port of San Francisco and designated as the "Pier 94/96" site. The area would be devoted to equipment and materials laydown, storage, parking of construction equipment, small fabrication areas, and office trailers supporting construction at the San Francisco Converter Station site. Access to the proposed laydown area would be via Cargo Way. The site has no standing buildings or structures, and lies on land that was reclaimed from San Francisco Bay early in the twentieth century.

c. Project components in Pittsburg

A Converter Station similar to that proposed in San Francisco will be built in Pittsburg on the so-called Pittsburg West Tenth Street Alternative 1 site, as evaluated in the Draft and Final EIR. A buried cable route similar to San Francisco's will connect the Pittsburg Converter Station and the PG&E Pittsburg Substation.

3. Project as modified in the Addendum to the FEIR

The new HVDC PLUS technology became commercially available shortly after the FEIR was certified. The Addendum to the FEIR evaluates the potential environmental impacts of the following HVDC PLUS-related refinements to the Project:

- Adoption of Siemens Power Transmission & Distribution, Inc. "HVDC PLUS" technology for the converter stations to be constructed in San Francisco and Pittsburg. The Addendum concludes that HVDC PLUS technology has significant advantages compared to the HVDC technology evaluated in the Draft and Final EIRs, including that the HVDC PLUS design allows for reduced mass of structures (i.e., reduced visual impacts), reduced audible noise, and reduced electric and magnetic fields below already low levels, relative to the HVDC conventional design. The Addendum also concludes that the HVDC PLUS design has improved technical performance and is more reliable and compatible with respect to the interconnection with the AC grid (at PG&E's Potrero Substation) because it is less dependent on system voltage and frequency and it can generate or absorb reactive power.

- Refinement of Prysmian's HVDC submarine cable design to accommodate the HVDC PLUS technology and design. The refinement of the submarine HVDC cable design involves the use of two, 200 kV cables and a fiber optic cable bundled system, versus the previously evaluated one 400 kV cable, one 12 kV return/ground cable, and a fiber optic cable bundled system with the conventional HVDC technology. The overall diameter (approximately 10 inches) of the refined submarine cable bundle, the installation method (i.e., cable lay vessels and hydroplow), and operational characteristics are the same as that evaluated for the previous design in the Draft and Final EIRs. No unavoidable adverse significant environmental impacts have been

identified for the refined cable design (or the cable design evaluated in the Draft and Final EIRs) related to construction or operation.

4. FEIR Alternatives. In addition to the Project as described above, the FEIR analyzes the following alternative sites for the San Francisco Converter Station. It concludes that the potential environmental impacts associated with the offshore submarine HVDC cable for the proposed HWC (Mitigated) and alternative Converter Station sites (listed below) are the same and, with implementation of mitigation measures, all identified potentially significant impacts associated with the offshore submarine HVDC cable would be reduced to less-than-significant levels. The HWC (Mitigated)/HWC West site is identified in the FEIR as the only feasible project site because it is the only site over which the Project Sponsor currently has control.

a. The No Project Alternative would involve taking no action to provide additional electrical transmission capacity to San Francisco (i.e., status quo). Under the No Project Alternative, the potential environmental impacts and benefits of the proposed Project would not occur. The No Project Alternative does not meet the Project goals and objectives, or the CAISO's objectives for solving the near-term and long-term electrical supply and reliability issues in San Francisco and the northern Peninsula area. The FEIR concluded that the No Project Alternative does not constitute a reasonable alternative to the proposed HVDC Project, but that this alternative would have the fewest environmental effects.
b. The San Francisco Mirant Converter Station Alternative (three site layouts). The FEIR concludes that this alternative, which would construct the San Francisco Converter Station at the Mirant Power Plant site, would result in unavoidable adverse significant impacts associated with the necessary demolition of historic architectural resources. This site is not under the control of Trans Bay Cable.
c. Sheedy Converter Station Alternative: The FEIR concludes that this alternative would involve a potentially significant impact associated with potential conflicts with possible future improvements to public access to San Francisco Bay, but that this impact might be mitigated to a less than significant level with implementation of a specified mitigation measure. This site is not under the control of Trans Bay Cable.

5. FEIR Addendum for use of HVDC PLUS technology. The Project was originally proposed to use HVDC cable for the approximately 53 miles of submarine and shoreline cable route. Subsequent to certification of the FEIR, the Project Sponsor identified an alternative cable technology, "HVDC PLUS," which would reduce the footprint, height, and noise associated with both converter stations. Use of HVDC PLUS technology also requires modification of the buried cable bundle, from the originally proposed 400 kV cable, metallic return cable, and fiber optic cable, to two, 200-kV cables and a fiber optic cable. The FEIR Addendum analyzes the potential environmental impacts associated with use of the HVDC PLUS technology.

The FEIR Addendum was published by the Pittsburg Planning Department on December 26, 2006. In summary, the Addendum concludes that the refinements and improvements that have been made to the proposed Project (e.g., use of HVDC PLUS) further reduce the impacts of the Project as presented in the FEIR and present no new potentially significant impacts. For each environmental topic, there would be either no change in the extent of impacts identified in the

FEIR or the changes to the Project would further reduce the less than significant impacts associated with the Project. The Addendum concludes that: there have been no substantial changes that have occurred with respect to the circumstances under which the Project is to be undertaken that would involve significant environmental effects or a substantial increase in the severity of previously identified significant effects; no new information of substantial importance has arisen since certification of the FEIR that identified new or substantially more severe significant impacts, that identified new mitigation measures or alternatives that would substantially reduce an identified significant effect, or that shows mitigation measures or alternatives previously found infeasible would be feasible and would reduce one or more significant effects.

6. Approvals Related to Trans Bay Cable License. The Port Commission action related to the Project is approval of the following Licenses:

- A construction period license to install cable bundle along the approximately 9.4-mile portion of the cable route that is in the Port's jurisdiction;
- A 65-year license to operate, maintain, and, if necessary, replace the cable, subject to approval by the San Francisco Board of Supervisors; and
- A license for construction lay down utilizing approximately 5-7 acres of land at Pier 94/96 Backlands.

The Project will also require other approvals and/or permits from various City and County of San Francisco entities, including:

- Demolition and building permits from the Department of Building Inspection,
- Major Encroachment Permit approval from the Board of Supervisors,
- Parcel Map approval from the Department of Public Works, and

IV. MITIGATION MEASURES

The Findings in this section concern mitigation measures for the San Francisco HWC (Mitigated) Converter Station Site and for the Offshore Cable Route, as set forth in the FEIR and Addendum. The scope of impacts analyzed in the FEIR and Addendum reflects the entire Project. As a result, not all of the mitigation measures apply to the Licenses. Only the relevant mitigation measures have been included here; these Findings do not evaluate the mitigation measures identified by the FEIR and Addendum for the Pittsburg West Tenth Street Alternative.

These Findings include a listing of the applicable mitigation measures, broken down by Project component (e.g., Converter Station or Offshore Cable Route) and topic. All of the mitigation measures in the FEIR have alpha numeric codes that are used to refer to the measures in these findings.

In the text of the Findings, mitigation measures that are applicable to the License(s) and that would be required by the Port Commission as a condition of the applicable License(s) are summarized in a few sentences. Mitigation measures within the jurisdiction of other City and County of San Francisco entities are similarly referenced together with an indication of the appropriate entity. No mitigation measure applicable to the Licenses is modified or rejected in

its entirety. Exhibit 1, incorporated herein by reference, contains the complete text of each mitigation measure as presented in the FEIR that is required as a condition of the License(s). The mitigation measures fall into the following categories:

1) Mitigation measures adopted exactly as proposed in the FEIR and that can be implemented as a condition of the applicable License(s); and

2) Mitigation measures that are adopted by the Port Commission and that also apply to areas outside of the License area(s) and so are within the joint jurisdiction of the Port and other City and County of San Francisco agencies.

The Port Commission finds that the mitigation measures applicable to the portion of the Project within the City/Port's jurisdiction and adopted or adopted and recommended for joint adoption by another agency are feasible and enforceable through the License(s) or through the other anticipated approvals identified above. Based on the information contained in the FEIR and the administrative record, the Port Commission has found that the applicable mitigation measures in the FEIR will mitigate, reduce, or avoid significant effects and are hereby adopted by the Port Commission and recommended for adoption and implementation by other City agencies, which agencies can and should adopt these measures.

A. Mitigation Measures Adopted as Proposed as a Condition of the Licenses

The following FEIR mitigation measures are found to mitigate, reduce, or avoid significant environmental effects, and are therefore included as a condition in the applicable License(s).

1. Measures applicable to the San Francisco HWC (Mitigated) Site

Water Resources and Quality

Mitigation WATER-2: Spill Prevention and Control Plan for HDD. This measure requires that drilling shall be performed in accordance with a site-specific Spill Prevention and Control (SPCC) Plan for HDD Operations for Drill Fluids and Cuttings, and specifies certain required spill response measures to be included in the plan. This measure shall be required as a condition of the construction period License.

Mitigation WATER-3: Use of Pilot Hole and Reaming. This measure specifies that HDD shall be performed using a pilot hole plus reaming technique to minimize the potential for impacts to groundwater, and specifies the early detection and rapid response activities that are required. This measure shall be required as a condition of the construction period License.

2. Measures applicable to Offshore Cable Route

Air Quality

Mitigation Air-3 and Air-4: Marine Vessel Emission Controls. This measure provides measures to be implemented to control emissions from vessels owned by Prysmian: use of California diesel, Purinox, biodiesel, or other fuel (whichever is feasible and would result in lowest emissions); minimization of diesel engine fuel usage as much as possible; use of shore-

side power when docked instead of running engines, where feasible. This measure will be required by the Port as a condition of approval of the construction period License.

Water Resources And Quality

Mitigation Water-5: Avoidance Of Sediment Contamination. This measure requires that the HDD shall be completed as far offshore as is feasible and remote from RMP (Regional Monitoring Program) station CB012S, near Potrero Point in San Francisco, and that hydroplow or equivalent technology activities shall also avoid known contamination in the area of station CB012S. This measure requires that confirmation sediment sampling be performed at the location where the HDD emerges into the Bay and that the results be considered and addressed prior to commencement of construction near this location. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation WATER-7: Vessel Fuel Spill Response Plan. This measure requires all vessel operators associated with the Project to update their contingency plans, continue to use emergency response services for pollution incidents, and comply with U.S. Coast Guard and NOAA guidelines as specified. This measure will be required by the Port as a condition of approval of the construction period License.

Cultural Resources

Mitigation Cul-3a: Archaeological Resources Geophysical Survey. This measure requires that a geophysical remote-sensing survey shall be conducted along the offshore cable route to detect any potential submerged or sub-bottom archaeological resources, and that the results of the survey will be reviewed, documented, and interpreted by a qualified marine archaeologist. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation CUL-3b: Archaeological Resources Avoidance. This measure requires that any potential submerged and/or buried archaeological resources detected through the geophysical survey be avoided unless they can satisfactorily be determined not to represent archaeological resources (e.g., modern debris, existing infrastructure). This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation CUL-3c: Archaeological Resources Supplemental Underwater Investigation. This measure requires positive identification of any potential resources if it is infeasible to avoid potential submerged and/or buried archaeological resources, and provides for evaluation of significance if the targets are determined to be archaeological resources. This measure will be required by the Port as a condition of approval of the construction period License.

Land Use And Recreation

Mitigation LU-4a: Vessel Crew Procedures. This measure provides that marine crews shall watch for navigational hazards to reduce the risk of incidents involving construction vessels and recreational users in the Bay. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation LU-4b: Coast Guard Coordination. This measures provides that construction activities shall be coordinated with the US Coast Guard Safety Branch to ensure that no marine recreational events conflicts arise, and that the affected harbor district be made aware of the timing of water-based project activities such as the cable laying operations. This measure will be required by the Port as a condition of approval of the construction period License.

Marine Transportation

Mitigation MTRANS-1a: Project Registration, Information And Pilotage. This measure requires that large construction vessels like the CIS Giulio Verne and any support vessels notify the VTS (Vessel Traffic Services) at the beginning and end of each transit, be monitored continuously, and that all ships operating under foreign registry, like the Giulio Verne, are required to have a San Francisco Bar Pilot navigate the ship into the Bay. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation MTRANS-lb: Compliance with Navigation Rules. This measure requires that vessels involved in cable laying are required to identify themselves and operate in accordance with the COLREGS (International Regulations for Avoiding Collisions at Sea), that San Francisco Bay navigation rules shall regulate the cable laying operations, and that within the Bay, the operators of all vessels engaged in the project will have the legal responsibility to preclude hazardous situations according to the applicable navigation rules. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation MTRANS-lc: Precautionary Area. This measure provides that a safety precautionary area shall be established around construction vessels, that such vessels will be identified via the USCG Notice to Mariners to make vessels operating in the area aware of project activities, and that all cable-laying vessels shall operate in accordance with applicable navigation rules including the Cable Act of 1992. This measure will be required by the Port as a condition of approval of the construction period License.

Mitigation MTRANS-ld: Publication of Cable Location. This measure provides that Trans Bay Cable shall document the specific as-built location of the submarine cable for its entire length and shall provide GPS coordinates for critical waypoints of the cable alignment as required by the USACE and NOAA for inclusion on San Francisco Bay navigational charts and in the applicable volume(s) of the U.S. Coast Pilot. This measure will be required by the Port as a condition of approval of the construction period License.

B. Mitigation Measures Adopted by the Port That Also Apply Outside of the License Area(s) and Are Recommended for Adoption By and Joint Implementation With Other City Agencies

1. Measures within the Joint Jurisdiction of the Port and the Department of Building Inspection

The Port Commission finds that the following mitigation measures, as applied in the FEIR to the San Francisco HWC (Mitigated) Converter Station Site, fall within the joint jurisdiction of DBI and the Port. To the extent that specified measures relate solely to activities conducted under the

License and that are clearly within a License area, implementation of these measures will be required by the Commission as a condition of its approval of the applicable License. With respect to the components of the Project within joint Port and DBI jurisdiction (e.g., construction of the Converter Station), the Commission determines that such measure should be carried out by DBI at the appropriate time, and can and should be adopted by DBI. The Port has reviewed the following mitigation measures and determined that they appear to be feasible. The Secretary of the Port Commission is hereby directed to transmit copies of these measures to DBI.

Air Quality and Exhaust Controls

Mitigation AIR-1: Fugitive Dust Controls. This measure requires that Best Achievable Control Measures (BACM) shall be utilized during construction phases of the Project to control fugitive dust. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation AIR-2: Exhaust Controls. This measure requires that certain controls pertaining to equipment emissions shall be implemented during construction to reduce emissions from construction equipment exhaust. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Geologic Resources and Soils

Mitigation GEO-1: Design Project for Erosion Control. This measure requires that Standard Best Management Practices (BMPs) shall be incorporated into the Storm Water Pollution Prevention Plans (SWPPPs) for construction and operation. This measure shall be required as a condition of the construction period, operational and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation GEO-2: Controls for Excavation of Serpentine. This measure requires pre-construction review of previously-prepared geotechnical reports and boring and trenching logs for the site to be reviewed in order to identify areas of serpentinite bedrock that would be disturbed during excavation and Project construction. This measure also requires that an Asbestos Dust Mitigation Plan be submitted to the Bay Area Air Quality Management District (BAAQMD) for approval. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation GEO-3: Design to Seismic Design Requirements. This measure requires project facilities to be designed and constructed at a minimum to the seismic design requirements for ground shaking specified in the Uniform Building Code for Seismic Zone 4, and that these facilities shall be designed to withstand ground motions equating to approximately a 500-year return period. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation GEO-4: Design Project for Liquefiable Deposits. This measure requires a site-specific program of exploratory borings and accompanying laboratory testing shall be conducted in order to delineate potentially liquefiable materials beneath the construction area, and that geotechnical investigations shall be required for consideration prior to foundation design and

development of site-specific design criteria. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation GEO-5: Design Project for Shrink-Swell/Subsistence. This measure requires that a site-specific program of exploratory borings and accompanying laboratory testing shall be conducted to delineate any potentially expansive materials underneath the proposed Project facility sites, to evaluate the potential for site subsidence, and to identify and implement appropriate design measures in accordance with applicable codes. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Water Resources And Quality

Mitigation WATER-1: Erosion Control and Contaminant Source Control. This measure requires that Trans Bay Cable apply for and comply with the National Pollutant Discharge Elimination System (NPDES) Construction and Industrial Activities General Permits. This measure shall be required as a condition of the construction period and operational Licenses and shall be recommended to DBI.

Cultural Resources

Mitigation CUL-1a: Archeological Resource Testing. This measure requires that subsurface surveys be conducted of that portion of the cable route that crosses the Mirant Power Plant Site, prior to construction activities. This measure specifies the purpose of the surveys is to determine the presence and extent of buried archaeological resources within the plant area as well as to evaluate the potential significance of any resources encountered. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation CUL-1b: Archaeological Resource Data Recovery. This measure requires that if avoidance of an important archaeological resource is not feasible, a data recovery excavation plan may be required based upon the results of the testing program in CUL-1a. This measure specifies the requirements for preparation and review of the data recovery excavation plan. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation CUL-1c: Archaeological Resource Construction Monitoring. This measure specifies what construction monitoring will be required if archaeological testing efforts indicate that such monitoring is necessary to prevent significant impacts to important cultural resources. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Traffic and Transportation

Mitigation TRAFFIC-1: Coordination to Reduce Cumulative Traffic Impacts. This measure requires that truck shipments on the regional roadway shall be scheduled for non-peak periods when delays are less prevalent, as practical. This measure also requires Trans Bay Cable to coordinate with Caltrans to identify appropriate routings and times for site deliveries and comply with Caltrans recommendations. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation TRAFFIC-4: Reducing Impact on the Movement of MUNI Light Rail Vehicles into and out of the Metro East Maintenance Facility. This measure provides that selection of the Pier 94/96 site for the construction laydown area is necessary to avoid significant impacts along Cargo Way and to avoid a potential conflict with the movement of MUNI light rail vehicles along 25th Street. This measure will be implemented as a condition of approval of the Trans Bay Cable License. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation PS-1: Construction Fire Prevention. This measure requires that a specified Construction Fire Prevention and Protection Program shall be developed and followed throughout all phases of construction. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation PS-2: Utility Survey. This measure requires that prior to any excavation work a survey shall be conducted to identify locations of subsurface utilities. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation PS-3: Operations Fire Prevention. This measure requires that an Operations Fire Prevention and Protection Program shall be developed and followed throughout all phases of operation. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

<u>Visual Resources/Aesthetics</u>

Mitigation VIS-1Aa: Plan Submittal Requirements for Building Materials and Colors. This measure specifies that a painting plan shall be formulated according to specified criteria and submitted sufficiently early to ensure that any pre-colored buildings, structures and linear facilities shall have colors approved and included in bid specifications. This measure shall be required as a condition of the construction period and operational Licenses and shall be recommended to DBI.

Mitigation VIS-1Ab: Plan Submittal Requirements for Landscaping. This measure requires that a specific landscaping plan shall be prepared showing the location of proposed landscaping, the varieties and sizes of plants to be planted, and the proposed time of maturity for each species. This measure also requires that plants shall be selected from the approved species list prepared by the agencies with jurisdiction. This measure shall be required as a condition of the construction period and operational Licenses and shall be recommended to DBI.

Mitigation VIS-2: Plan Submittal Requirements for Lighting. This measure specifies night lighting restrictions. This measure also requires that a specific lighting plan be created, consistent with operational and safety needs for the Project and limiting the general lighting levels to a maximum reasonable level shall be submitted to each agency with jurisdiction for approval. This measure shall be required as a condition of the construction period and operational Licenses and shall be recommended to DBI.

Mitigation VIS-3: Landscaping Plan. This measure requires that Trans Bay Cable the develop a landscape plan which provides screening and improves views northward from Warm Water

Cove Park. This measure requires that the landscaping plans be reviewed and approved by agencies with jurisdiction. This measure shall be required as a condition of the construction period and operational Licenses and shall be recommended to DBI.

Hazardous Materials And Waste Management

Mitigation HAZ-1: Complete an ACM Abatement Plan and an LBP Abatement Plan. This measure requires that Trans Bay Cable complete ACM (Asbestos-Containing Materials) and LBP (Lead-Based Paint) investigation and characterization on the HWC (Mitigated) Site and develop ACM and LBP Abatement Plans in accordance with regulatory requirements to protect construction workers and the public. This measure specifies what measures Trans Bay Cable must take if ACM and LBP are confirmed to be present in concentrations above regulatory limits, and requires that it prepare a site Health and Safety Plan for this work. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation HAZ-2: Soil Removal Protocols. This measure requires that previously uncharacterized soils that are stained or odiferous shall be segregated on plastic, sampled, and characterized for onsite use or offsite disposal. This measure requires that Soil and Groundwater Management plans (SMP, GMP) shall detail storage, transportation, and disposal options for soil and groundwater excavated/extracted during the converter station construction, and specify dust monitoring needs for soil excavation and management. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation HAZ-3: Reduction of Hazards During Construction Phase. This measure specifies the controls that Trans Bay Cable must implement to mitigate potential impacts from use of hazardous materials during the construction phase, including management plans, secondary containment, separate storage of incompatible materials, and proper training of personnel. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation HAZ-4: Management of Construction-phase Waste Streams. This measure provides that a Solid Waste Management Plan for the Project shall be prepared to address onsite management and offsite disposal procedures of solid wastes (including potentially contaminated soil). This measure requires specific storage, reporting, and disposal practices for construction waste. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation HAZ-5: Construction-phase Spill Prevention, Control, and Countermeasures. This measure provides specific measures shall be implemented to prevent spills and to minimize impacts if spills occur, including but not limited to preparation of a Spill Prevention, Control, and Countermeasure (SPCC) Plan for the converter station shall be prepared in accordance with federal and state regulations; onsite maintenance of Material Safety Data Sheets (MSDSs) for each chemical used during construction; proper training of employees under OSHA; and reporting requirements in case of spills. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation HAZ-6: Reduction of Construction Dust and Volatilization of Contaminants. This measure provides specific dust control measures (i.e., keeping the soil wet during excavation) to be implemented during excavation and construction activities, and dust monitoring shall be performed. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DBI.

Mitigation HAZ-7: Contaminated Groundwater Control. This measure provides that any groundwater encountered during construction at the converter station site, shall be collected, sampled, and analyzed, and then characterized for disposal based on specified methods. This measure acknowledges that if groundwater is discovered to be contaminated at the HWC (Mitigated) Converter Station, it is possible that the Regional Water Quality Control Board would require groundwater control as part of the development plan for the Project on that site. This measure also lists potential groundwater-remedial strategies, which are dependent on various specified factors and would be finally selected by RWQCB. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Mitigation HAZ-8: Control of Operations-phase Hazardous Materials. This measure requires that a Hazardous Materials Business Plan (HMBP) meeting specified criteria shall be developed and implemented prior to turnover of site management from the construction contractor to the operating company. This measure shall be required as a condition of the operational License and shall be recommended to DBI.

Mitigation HAZ-9: Manage Waste Generation, Storage, and Disposal During Operations Phase. This measure provides that Trans Bay Cable will apply to DTSC for a hazardous waste generator number before facility start-up, and that the converter station shall not treat, store, or dispose of hazardous waste in a manner that will cause the facility to be characterized as a treatment, storage and disposal facility (TSDF). This measure also provides that Trans Bay Cable will prepare a detailed waste management plan prior to start-up to ensure proper storage, labeling, packaging, record keeping, manifesting, minimization, and disposal of all hazardous materials and wastes. This measure shall be required as a condition of the operational License and shall be recommended to DBI.

Mitigation HAZ-10: Operations-phase Spill Prevention, Controls, and Countermeasures (SPCC). This measure specifies that an SPCC plan shall be develop that specifies employee training, safety procedures, spill response procedures, and various other spill prevention measures. This measure shall be required as a condition of the operational License and shall be recommended to DBI.

Mitigation HAZ-11: Reduction of Fire and Explosion Risk and Emergency Support During Operations Phase. This measure requires that the converter station shall have specified onsite fire protection systems (including emergency backup systems) and that potential fire protection designs and systems shall be reviewed with local agencies to finalize design details. This measure shall be required as a condition of the operational License and shall be recommended to DBI.

Mitigation HAZ-12: Manage Seismic Activity. This measure provides that the project designers and construction contractor shall follow the Uniform Building Code for Seismic Zone

4. This measure shall be required as a condition of the construction period License and shall be recommended to DBI.

Paleontological Resources

Mitigation PALEO-1: Potential Fossil Resources Protection. This measure requires: pre-construction meetings with key construction personnel pertaining to paleontological resource significance, visual identification, and discovery notification procedures; monitoring by a professional paleontologist of proposed construction areas containing geological units with a potentially moderate or high sensitivity rating; actions to be taken if unique paleontological resources are discovered; and standards for salvage operations. This measure shall be required as a condition of the Trans Bay Cable License and shall be recommended to DBI.

2. Measures within the Joint Jurisdiction of the Port and the Department of Parking and Traffic

The Port Commission finds that the following mitigation measures, as applied in the FEIR to the San Francisco HWC (Mitigated) Converter Station Site, fall within the joint jurisdiction of the Port and the Department of Parking and Traffic (DPT). To the extent that specified measures relate solely to activities conducted under a License and that are clearly outside DBI jurisdiction (e.g., the License area), implementation of these measures will be required by the Commission as a condition of its approval of the applicable License. With respect to the components of the Project within joint Port and DPT jurisdiction (e.g., temporary street signage), the Commission determines that such measure should be carried out by DPT at the appropriate time, and can and should be adopted by DPT. The Port has reviewed the following mitigation measures and determined that they appear to be feasible. The Secretary of the Port Commission is hereby directed to transmit copies of these measures to DPT.

Traffic And Transportation

Mitigation TRAFFIC-2: Coordination of Oversized Loads. This measure requires Trans Bay Cable to coordinate with Caltrans and local jurisdictions (e.g., DPT) to obtain proper permitting for oversized loads in advance of construction. This measure shall be required as a condition of the construction period an Piers 94/96 Licenses and shall be recommended to DPT.

Mitigation TRAFFIC-3: Signage for Temporary Street Closures. This measure requires that any temporary local street closures be coordinated with DPT, and that appropriate signage be erected if necessary. This measure also requires coordination with DPT include provisions for emergency access and non-interference with activation of San Francisco's Emergency Operations Plan. This measure shall be required as a condition of the construction period and Piers 94/96 Licenses and shall be recommended to DPT.

F. Adoption of a Mitigation Monitoring and Reporting Program

The Port Commission hereby adopts a Mitigation Monitoring and Reporting Program (MMRP) as required by Section 21081.6 of the Public Resources Code. The MMRP is attached as Exhibit 2 and incorporated in this document by reference. The purpose of the MMRP is to determine the stage at which each of the adopted mitigation measures must be imposed to ensure that the

measure is carried out by the responsible official or entity, or if the obligation lies with a private entity, that the City enforces the obligation.

Trans Bay Cable and the Port will implement the majority of the mitigation measures. Trans Bay Cable will implement most of the measures as a condition of the applicable license, with the Port enforcing the license conditions, either alone or in conjunction with other City agencies. Trans Bay Cable will hire a third party to monitor implementation of the mitigation measures in San Francisco.

V. FINDINGS REGARDING ALTERNATIVES IN THE FEIR

As described in Section III above, the FEIR encompasses a project that is broader than the activities proposed in San Francisco. These Findings focus on the Port Commission's consideration of the environmental impact information in the FEIR and Addendum, relevant to cable installation on Port-owned and Port-controlled lands, and to construction staging activities. Pursuant to the CEQA Guidelines (Cal. Code Regs., tit. 14, § 15000 et seq.), these Findings must consider, and adopt or reject the alternatives analyzed in the FEIR.

A. Reasons for Selecting the HWC (Mitigated) Site as described in the FEIR and as Modified in the Addendum

After consideration of all the information in the FEIR, the Port Commission approves the HWC (Mitigated) site, as described in the FEIR Project Description and as modified in the Addendum. The CAISO management and Board of Governors, in their decision of September 8, 2005, determined that the Project is required to ensure reliable operation of the transmission system serving the San Francisco Bay Area. Particularly after incorporating HVDC PLUS technology, construction of the Converter Station at the HWC (Mitigated) Site would help meet San Francisco's need for a stable supply of electrical power. Approval of the Licenses would meet the following objectives identified in the FEIR:

1. **Converter Station Site:** Locate the San Francisco converter station such that: 1) it is in close proximity to the existing, high capacity PG&E Substation; 2) it allows for a substation connection at the northerly end of the San Francisco Peninsula nearest the load center; 3) connecting the converter station site with new transmission wires should create minimum short-term disruption to the areas and no long-term undesirable impacts; 4) it should not require the construction of significant overhead transmission lines on the San Francisco Peninsula; 5) it can be expected to reduce the burden on the existing south-to-north Peninsular transmission system that currently supplies the large majority of San Francisco's electrical energy; and 6) it possesses long-term financeable real estate rights.

2. **Cable Route:** Select cable routes such that: 1) the efficiency and economies of electric power transmission in the area are improved; 2) the routes involve minimal environmental impacts, as practical; 3) installation of new transmission cables is in compliance with the CAISO-approved reliability project that supports the early implementation of the Project for commercial operation no earlier than 2009; 4) access to and control of the land required to

install the new cable should be obtainable through long-term financeable real estate rights; and 5) installation and the final location of the cable should result in minimal short-term disruption to the public, ensure public safety, and provide an appreciable measure of long-term security.

3. **Create a More Diverse Transmission System in the Area.** Increase transmission system reliability in the greater San Francisco Peninsula by providing a second independent major transmission route into the northerly end of the San Francisco Peninsula. This provides a long-term reliable access to a load-serving source of energy, provides access to more economically available energy in the East Bay, and decreases the San Francisco Peninsula's vulnerability and dependence over the single existing south-to-north transmission path.

4. **Comply with Planning Criteria.** Ensure that the transmission system serving San Francisco will continue to provide both the capacity and flexibility necessary to meet the planning standards and criteria established by the CAISO and the North American Electric Reliability Council (NERC). In addition, compliance with the San Francisco Peninsula Long Term Transmission Planning Study Phase II prepared by the San Francisco Stakeholder Study Group will result in an integrated transmission system capable of supplying the City of San Francisco with the energy necessary to meet load demands beyond 2012.

5. **New Generation and/or Transmission Facilities.** The singular and heavily loaded existing south-to-north transmission path serving San Francisco should be supported with the addition of new major transmission capacity. In addition, the installation of new transmission lines and pathways should be complementary to and compatible with allowing the San Francisco Peninsula access to available local generation as well as provide the CAISO the robust operating system necessary to effectively manage the area's transmission and generating systems.

6. **Current Electric Supply and Demand.** Supply northern San Mateo County and San Francisco County with a reliable, efficient, economic, and environmentally compatible source of energy from the East Bay. CAISO transmission studies estimate that the Project would allow the same load to be served with approximately 20 megawatts (MW) less generation because: 1) the Project would create a new, shorter transmission path into the northern San Francisco peninsula; 2) the DC transmission line losses are less than a typical AC transmission line; and 3) congestion would be relieved in the transmission grid.

B. Alternatives Rejected and Reasons for Rejection

1. No Project Alternative

The No Project Alternative is rejected because it would not allow the Project to be constructed in San Francisco. As such, the No Project Alternative would not meet the Project Sponsor's objectives outlined above.

2. Mirant Power Plant Site (all layout options)

One San Francisco Converter Station Site alternative evaluated in the FEIR is the San Francisco Mirant Converter Station Alternative site ("Mirant Alternative") is located on the Mirant Potrero

Power Plant property, directly west of San Francisco Bay, east of Illinois Street, south of 22nd Street, and north of 23rd Street ("Mirant Site"). Three different converter station layouts, all located in the southwest portion of the Mirant Site, were considered. The Mirant Site is located directly adjacent to and north of the proposed San Francisco HWC Converter Station site, and adjacent to the PG&E Potrero Substation. The Project Sponsor has been unable to obtain control of the Mirant Site, and therefore the Mirant Alternative is rejected as infeasible at this time.

3. Sheedy Drayage Site

The Sheedy Drayage site is rejected as infeasible because it is not under the Project Sponsor's control. In addition, the FEIR identified potential conflicts with possible future improvements to public access to San Francisco Bay associated with the Sheedy alternative. Moreover, the required electrical interconnection (115 kV AC) between the Sheedy Converter Station site and the PG&E Potrero Substation is problematic due to potential conflicts with existing underground utilities along Illinois Street.

Exhibit C:
California Independent System Operator Board of Governors
"Revised Action Plan for San Francisco"

Revised Action Plan

PG&E Transmission Projects and City Peaking Power Plants Necessary
To Meet NERC/WECC/CAISO Planning Requirements

AS OF SEPTEMBER 2, 2005

	Project	Estimated Completion Date/Status	Issue	Resolution of Issue
Release Hunters Point Units 2 & 3 From Their RMR Agreements				
1	Potrero Static VAR Compensator	December 2004, Completed	NERC/WECC/CAISO Planning Standards	This project allowed ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 2 and 3 released from their RMR Agreement
Release Hunters Point Units 1 & 4 From Their RMR Agreements				
2	San Mateo-Martin No. 4 Line Voltage Conversion	Completed	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
3	Ravenswood 2nd 230/115 kV Transformer Project	Completed	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
4	San Francisco Internal Cable Higher Emergency Ratings	Completed: To Be Used Upon Completion of the Jefferson-Martin 230 kV Project	NERC/WECC/CAISO Planning Standards	These ratings are an interim solution that in combination with the other listed projects allows PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreements. In 2007, a third Martin-Hunters Point 115 kV cable will replace the emergency ratings.
5	Tesla-Newark No. 2 230 kV Line Reconductoring	February 2005, Completed	RMR Criteria	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
6	Ravenswood-Ames 115 kV Lines Reinforcement	April 2005, Completed	RMR Criteria	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
7	San Mateo 230 kV Bus Insulator Replacement	May 2005, Completed	Operations Requirement During San Mateo Bus Wash	Eliminate bus wash at San Mateo 230 kV bus will reduce the 400 MW generation operational requirement down to less than 200 MW

8	Potrero-Hunters Point (AP-1) 115 kV Cable	December 2005 CPUC Permit Approval Granted	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement. Scheduled for Dec. 2005 operation.
9	Jefferson-Martin 230 kV Line	March '06 to June '06 Under construction	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
10	Potrero 3 SCR retrofit	June 2005 Completed	NERC/WECC/CAISO Planning Standards	This project ensures the availability of Potrero 3 at full capacity thereby reducing overall Greater Bay Area RMR requirements. This project or the reduced capacity available without the retrofit in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreements
Release Potrero Unit 3 From Its RMR Agreement				
11	San Francisco Electric Reliability Project and San Francisco Airport Electric Reliability Plant	June 2007	NERC/WECC/CAISO Planning Standards	These projects will allow ISO/PG&E to meet planning requirements with Potrero 3 released from its RMR Agreement. CEC permit suspended due to a change in where to site near Potrero.
Release Potrero Units 4, 5, & 6 From Their RMR Agreements (assumes previous completion of Peaking Power Plants by the City)				
12	Upgrade the Newark-Dumbarton 115 kV line	December 2006 Engineering in Progress	NERC/WECC/CAISO Planning Standards	This upgrade is needed in combination with the other listed mitigations to allow ISO/PG&E to meet planning requirements with Potrero Units 4, 5, and 6 released from their RMR Agreement
13	Upgrade the Bair-Belmont 115 kV Line	Scheduled for May 2007	NERC/WECC/CAISO Planning Standards	This upgrade is needed in combination with the other listed mitigations to allow ISO/PG&E to meet planning requirements with Potrero Units 4, 5, and 6 released from their RMR Agreement
14	Upgrade the Metcalf-Hicks & Metcalf-Vasona 230 kV lines	Scheduled for May 2007	NERC/WECC/CAISO Planning Standards	This upgrade is needed in combination with the other listed mitigations to allow ISO/PG&E to meet planning requirements with Potrero Units 4, 5, and 6 released from their RMR Agreement
15	Add voltage support at Ravenswood substation	Scheduled for May 2007	NERC/WECC/CAISO Planning Standards	This upgrade is needed in combination with the other listed mitigations to allow ISO/PG&E to meet planning requirements with Potrero Units 4, 5, and 6 released from their RMR Agreement

PORT OF SAN FRANCISCO

MEMORANDUM

February 23, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on a proposed Marine Terminal Agreement for Pier 80 with Pasha Automotive Services.

DIRECTOR'S RECOMMENDATION: NO ACTION REQUIRED

Background

The Port is in negotiations with Pasha Automotive Services, an affiliated company of the Pasha Group, to expand their automobile shipping operation into San Francisco. Port staff expects to soon bring a formal agreement to the Port Commission for its consideration. The proposed management agreement would be executed with Pasha Automotive Services for operation of a motor vehicle terminal for fifteen years on approximately 33 acres of the Port's cargo terminal at Pier 80.

The informational presentation will introduce The Pasha Group and provide information regarding the automotive services they propose to operate at Pier 80.

Founded in San Francisco in 1947, The Pasha Group is a diversified international logistics and transportation services company. Pasha handles a wide range of products incorporating all modes of transportation and technology. Pasha operates terminals in the Port of Los Angeles and the Port of San Diego. They also operate a domestic shipping service named Pasha Hawaii Transport Lines between the U.S. West Coast and Hawaii. Pasha Automotive Services is an affiliated company of The Pasha Group. Since the 1960s, they have offered a full range of distribution services for manufacturers of new vehicles and commercial shippers of pre-owned vehicles, such as rental returns.

The Management Agreement with Pasha Automotive Services would be limited to the transport, primarily by water, of motor vehicles and ancillary operations necessary to run a motor vehicle terminal. We have asked executives of the Pasha's Automotive Services to give an overview of their company and their proposed operation as envisioned at the Port of San Francisco.

Prepared by: Peter Dailey, Deputy Director, Maritime

This Print Covers Calendar Item No. 11A

PORT OF SAN FRANCISCO

MEMORANDUM

February 23, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on Casual Landings of Excursion Boats at Port Ferry Facilities.

DIRECTOR'S RECOMMENDATION: INFORMATIONAL ONLY - NO ACTION REQUIRED

Background

The Port of San Francisco is the Bay Area's main destination for casual landings of excursion craft. The excursion industry includes dining cruises, sight-seeing cruises, small charters and tours on sport-fishing boats. Casual landings are defined as landings of excursion vessels at Port managed public facilities such as the Downtown Ferry terminal and China Basin Ferry terminal.

Major port excursion tenants such as Hornblower Dining Yachts, Red and White Fleet, Signature Yachts and Blue and Gold Fleet, in addition to the services that they operate from their proprietary port leaseholds, also offer casual landings from public port facilities. Other casual landing customers include operators that are based outside of the city including the USS Potomac, Commodore Dining Yachts and Angel Island Tiburon Ferries.

Staff has been analyzing and evaluating the financial and administrative performance of our various maritime industries. We appeared before the Port Commission in September of 2006 with an informational presentation on the passenger ferry business. We have been meeting with various stakeholders of ferry operations and will be coming back to the Port Commission this spring with an update on possible solutions to the significant deficit that the Port shoulders for ferry terminal management, maintenance and security.

Staff has begun the same exercise on the casual landings of excursion craft at Port public facilities and this presentation discusses financial and administrative issues documenting these vessel calls.

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The financial order of magnitude of the impact of casual landings is difficult to forecast. These are non-scheduled landings that are booked usually with short notice. Annual revenues to the Port vary greatly due to the broad range of gross receipts achieved by the various charters. The Port's casual landing business generates less than 10% of the total annual revenues derived at our public ferry facilities.

For example, in fiscal year 2003/2004, 51 excursion landings called at the Port generating revenue of $8,044.00. In fiscal year 2004/2005, there were 55 landings with revenue totaling $19,022 and in fiscal year 2005/2006, 109 landings with total revenue of $21,591.00.

History

Prior to the earthquake of October 1989, ferry service to the Ferry Building was limited to two privately held facilities. One facility was built and operated by Red and White Fleet. It was located at the north side of the Ferry Building. Both their Tiburon service, established in 1968 and Vallejo service to Marine World, was operated out of this facility. The other facility was built and operated by the Golden Gate Ferry District. It was and is located behind the Ferry Building. The Sausalito service was established in 1970 and the Larkspur service in 1976. Neither facility accommodates non-commute or excursion landings by other operators.

The earthquake of October 1989 revitalized interest in ferry services, funding became available through the Federal Highway Administration and Caltrans to build Phase 1- an interim ferry passenger terminal at Pier ½. In 1991 the Port, through its passenger ferry focus group, delivered a report to the Waterfront Advisory Panel on commuter ferry and excursion operations. This report pointed out that the commuter ferry landing rate structure proposed for the new docking facility at Pier ½, would not re-coup revenue to cover the projected annual operations and maintenance costs. To rectify this shortfall the report identified a potential additional revenue source by allowing the landing facility to be used by excursion operators when not in use for passenger ferry operations.

Excursion service differs from passenger ferry service in that it is not generally a scheduled service, does not need a California Public Utilities Commission permit and does not run from point to point. Rather it is generally a round trip passage with one entity chartering the whole boat for a specific timed ride on the bay.

On October 28, 1992 the Port Commission approved the policy for accommodating additional long term agreements for excursion operations at the Port of San Francisco (Resolution No. 92-112). It further identified two locations, Pier 3 and Pier 9 that would be suitable for accommodating excursion vessels. An outreach was made to attract potential tenants to these locations. The Port entered into an agreement with Hornblower Yachts for the Pier 3 site on November 1, 1997. Signature Dining Yachts took a site at Pier 9 in 2001.

In an effort to reduce operating losses at our ferry berths, on January 10, 1997, Port staff drafted a new boiler plate excursion and casual landing agreement for use at then Port ferry facilities. The landing rates were loosely based on dockage rates from our tariff and included a 7% gross revenue percentage rate clause.

In 2000 and 2001 the Downtown Ferry Terminals at Gates B and E opened and the Pier ½ facility was demobilized, the docking barge removed and transformed into a port crane barge.

New Casual Landing Agreements

Port staff is working to craft a new updated casual landing agreement that has all pertinent city requirements, security and environmental protections and streamlined administrative processes. The 2004 management audit of the Port completed by the San Francisco Budget Analyst suggested that the Port standardize operational procedures and update the berthing agreements for casual landings. It also advised the Port to ensure that the administrative processes have sufficient safeguards to prevent revenue loss or other liabilities caused by default of Port tenants. While we revise the casual landing agreement, we will outreach to our casual landing users to gain suggestions and insight for modifications to the new agreement. We will come back to the Port Commission by July 1, 2007 with an updated casual landing document for your review and approval.

New Opportunities

We have been approached by Red and White Fleet for a rate structure for a new business model that does not fit into either the passenger ferry model or the excursion operations model. Red and White would like a new rate structure for hybrid services known as the "Ferry Building Line" that is a combination casual landing service and a regularly scheduled excursion operation. We also expect to bring this new rate structure to the Port Commission in the next 90 days to cover this new business opportunity

Prepared by: John Davey, Assistant Deputy Director
Denise Turner, Wharfinger 2
Peter Dailey, Deputy Director, Maritime

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request Approval to extend the Term by an additional sixty days of the Exclusive Negotiation Agreement ("ENA") with High Flying Foods, Inc., for the Retail Leasing Opportunity located at 360 Jefferson Street; Request Approval to Execute First Amendment to the ENA extending the Term to May 4, 2007

DIRECTOR'S RECOMMENDATIONS: APPROVE AND AUTHORIZE EXECUTION OF FIRST AMENDMENT TO ENA EXTENDING TERM

Background

On August 19, 2005, the Port advertised a Request for Proposals ("RFP") for a retail leasing opportunity at 360 Jefferson Street in Fisherman's Wharf. In this RFP, the Port solicited proposals from qualified respondents ("Respondents") for the rehabilitation of a retail storefront (the "Site") located in the Fish Alley area of Fisherman's Wharf.

The RFP sought responses from qualified Respondents with the demonstrated ability to finance, design, construct, and operate a retail storefront. The RFP stated the Port Commission's intention to select a Respondent that successfully creates an environment providing the surrounding neighborhood and businesses with a high quality retail experience. Possible uses of the Site were drawn from the Port's Waterfront Land Use Plan to include the sale of fish; restaurants and other eating and drinking establishments; retail connected with the sale of artisan and designer products; information services to educate and inform the public; and assembly and entertainment including theatres, night clubs and public markets.

The RFP stated Respondents should submit proposals that recognize current site conditions, acknowledge likely building code and accessibility requirements, and contribute to the unique character found in the Fish Alley area of Fisherman's Wharf. Finally, the RFP stated that Respondents should possess experience with the start-up of new retail operations.

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On August 8, 2006, by Resolution No. 06-61, the Port Commission approved the Exclusive Negotiation Agreement ("ENA") between the Port and High Flying Foods, Inc. ("HFF") to negotiate a lease for the retail opportunity at 360 Jefferson Street ("Project") on mutually agreeable terms and conditions.

The original term of the ENA was three months and the negotiation fee for this period was $10,000. The ENA provided for three consecutive one-month options to extend the original term with a negotiation fee of $5,000 per one-month option. HFF has exercised each of these available options and has paid total negotiation fees of $25,000. The final one-month option to extend the term expires on March 4, 2007.

ENA Extension

To date HFF and Port have made significant progress towards concluding lease negotiations and anticipate reaching agreement on all lease terms in advance of the final option period expiration date, i.e. prior to March 4, 2007. However, the ENA states the Port shall not enter into any lease until there has been complete compliance with the California Environmental Quality Act ("CEQA"). Port and HFF have identified the actions and site activities necessary to facilitate meaningful environmental review. To this end HFF has completed conceptual site design plans and submitted an Environmental Evaluation Application to the City's Major Environmental Analysis ("MEA") Division of the City Planning Department along with the required $15,584.00 fee. MEA is currently reviewing HFF's submitted documents in advance of determining the appropriate level of environmental review.

HFF and Port acknowledge that HFF will not have obtained CEQA determination prior to the final option period expiration date of March 4, 2007. HFF has therefore submitted a written request to Port to extend the term of the ENA by an additional sixty days in order to obtain the required CEQA determination and complete the public review process. With a final CEQA finding, HFF and Port staff will be ready to return to the Port Commission and seek approval of the lease. HFF requests and Port staff recommends that this additional sixty day period incur no additional negotiation fee in recognition of the $25,000 in negotiation fees and $15,584 in MEA fees HFF has spent to date and acknowledging HFF will continue to incur architecture, engineering and other soft costs during the sixty day extension period.

Updated Project Schedule

2/26/07 – Waterfront Design Advisory Committee
2/27/07 – Port Commission informational presentation and ENA extension request
3/20/07 – Fisherman's Wharf Waterfront Advisory Group informational presentation
3/27/07 – Port Commission Request for lease approval (pending completed CEQA review)
4/07 – Calendar Board of Supervisor committee hearing

Staff Recommendation

Port staff requests that the Port Commission approve an additional sixty day extension of the term of the ENA to May 4, 2007, and authorize the Executive Director to execute a First Amendment to the ENA reflecting the extension with no additional negotiation fee to be paid by HFF.

Prepared by: Phil Williamson, Project Manager
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-13

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, The Port Commission at its August 8, 2006 meeting, by Resolution No. 06-61, approved the terms of an Exclusive Negotiation Agreement ("ENA") between the Port and High Flying Foods, Inc., a Delaware corporation ("HFF"); and

WHEREAS, The term of the ENA expires on March 4, 2007, and HFF has requested an extension of the term to May 4, 2007, without payment of any additional negotiation fee by HFF in order to give HFF sufficient time to obtain California Environmental Quality Act ("CEQA") approval; and

WHEREAS, Port staff acknowledges the financial commitment expended by HFF to date to move this leasing opportunity forward in a timely manner; now, therefore, be it

RESOLVED, That the Port Commission hereby approves the extension of the ENA term to May 4, 2007, without payment of any additional negotiation fee by HFF; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to execute the First Amendment to the ENA, in substantially the form on file with the Commission Secretary extending the term of the ENA to May 4, 2007, with the understanding that the final terms and conditions of any lease or related documents negotiated between the Port and HFF during the exclusive negotiation period will be subject to the approval of the Port Commission; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of documents in consultation with the City Attorney where such execution shall be deemed evidence of approval, as are necessary to implement the intent of this Resolution; and be it further

RESOLVED, That entering into the First Amendment to the ENA does not commit the Port Commission to approval of a final lease or related documents, and that the Port Commission shall not take any discretionary actions committing it to the Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2007.

Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 23, 2007

TO: MEMBERS, PORT COMMISSION
Hon. Ann Lazarus, President
Hon. Kimberly Brandon, Vice President
Hon. Rodney Fong
Hon. Michael Hardeman

FROM: Monique Moyer
Executive Director

SUBJECT: Request Approval to Execute Fourth Amendment to the Amended ENA Extending the Term and Amending the Benchmarks and Other Provisions (Site Location: The Embarcadero, between Francisco and Battery Streets) (Resolution No. 07-14)

DIRECTOR'S RECOMMENDATIONS: APPROVE AND AUTHORIZE EXECUTION OF FOURTH AMENDMENT TO AMENDED ENA

Background

On March 14, 2006, the Port Commission approved the Amended and Restated Exclusive Negotiation Agreement ("Amended ENA") between the Port and SF Piers LLC, whose members are Shorenstein Properties, LLC and Farallon Capital Management (hereinafter referred to as the "Developer") for a mixed-use recreation development with ancillary uses at Piers 27-31 ("the Project"). Under the terms of the Amended ENA the Developer was required to submit certain documents and obtain the endorsement by the Port Commission of a revised Development Memorandum prior to September 30, 2006, the original expiration date of the Amended ENA. The Port Endorsement Resolution was not obtained by September 30, 2006 for reasons explained below.

Since March 2006, Port staff and the Developer have been meeting regularly to discuss changes in the site plan and use program from the previous Mills' proposal to address community concerns that were raised during the public review process of the Mills' project. During the Developer's due diligence investigations, the Developer discovered significant increases in the costs to develop the Project, particularly in the substructure repair and improvement costs. In analyzing the impact of these increased costs, the Developer concluded that the Project was not feasible even with a provision for $2.1 million of rent credits for the cost of creating the Northeast Wharf Plaza open space. However, the Developer also concluded that the Project could be feasible as a public-private partnership if additional public monies were invested into

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the Project in addition to the private funds that the Developer would invest. Port staff and Bay Area Economics, the Port's independent real estate economics consulting firm, concurred with this conclusion.

On October 24, 2006, the Developer submitted to Port staff its Development Proposal for the Site. It included the proposed plans, a development schedule, financial terms and strategies for obtaining a determination of trust consistency and regulatory approvals. The Development Proposal was presented to the Port Commission on October 24, 2006.

On December 12, 2006, the Developer made another informational presentation further outlining its ideas for the recreation program. At that time, based on staff's recommendations, the Port Commission extended the expiration date of the Amended ENA to February 28, 2007 and also extended certain performance benchmarks. This additional time was necessary to enable the Developer to submit its development proposal, for the parties to investigate a public financing structure and find a mutually agreeable solution to the huge substructure costs and for the Port and the Developer to negotiate a revised Development Memorandum. The parties then engaged in a lengthy series of negotiation sessions resulting in a proposed Amended and Restated Development Memorandum ("Development Memorandum").

Originally, it was anticipated that the parties would seek approval of the Development Memorandum at the Port Commission hearing on January 9, 2007. However, after further consideration, the Developer decided that more time was needed in order to make the Project more consistent with the Public Trust doctrine and more appealing to the various stakeholders and constituents. The Developer therefore requested that the matter not be heard on January 9th and that further discussions take place with Port staff in order to determine whether the Project can be revised to include more trust-consistent uses and still be economically viable. The parties are still engaged in these discussions. The Developer requested that the expiration date of the Amended ENA be extended to May 15, 2007 (an additional 77 days) and Staff recommend the same.

Extension of Term of Amended ENA

Currently, the Amended ENA provides that the Term will automatically expire on February 28, 2007 unless all ten of the Initial Performance Benchmarks stated therein are satisfied by that date, including approval by the Port Commission of a resolution endorsing a revised Development Memorandum, which describes the revised Project and financial terms. Upon satisfaction of all ten of the Initial Performance Benchmarks prior to February 28, 2007, the term of the Amended ENA will be automatically extended, as provided in the Amended ENA.

Since the date of the execution of the Amended ENA, the following Initial Performance Benchmarks have been completely or partially satisfied by the Developer:

#1: Submittal of Proposed Plan of Development (Submittal does not include operation plan and affordability program for active recreation program)
#2: Submittal for the Development Schedule
#3: Submittal of Monthly Reports (except for November 2006 through February 2007)
#4: Submittal of Community Outreach Program
#5: Submittal of Trust Consistency Proposal
#6: Submittal of Regulatory Approval Strategy

#10: Weekly Meetings between the Port and the Developer

The following Initial Performance Benchmarks have not been met:

#7: Agreement on the Annual Budget for Transaction Costs
#8: Submittal of letter of intent from Active Recreation Operator
#9: Port Commission Endorsement Resolution of the Revised Development Memorandum

The Developer is requesting an extension of the Term of the Amended ENA by 77 days to May 15, 2007. It is anticipated that by that date the parties will have determined whether or not a revised Project that is more trust-consistent is feasible. Port staff hereby request approval of an extension of the term to May 15, 2007 and authorization for the Executive Director to execute the Fourth Amendment to the Amended ENA granting such extension. A copy of the Fourth Amendment is on file with the Commission Secretary.

Suspension, Extension and Addition of Certain Benchmarks
Benchmark #11: Staff recommend that a new Benchmark #11 be added to the Amended ENA to require the Developer to submit a revised Proposed Plan of Development, similar to Benchmark #1, by April 16, 2007.

Benchmark #9 –Port Endorsement Resolution
Currently, Benchmark #9 requires the Developer to obtain a resolution by the Port Commission endorsing a revised Development Memorandum prior to February 28, 2007. It is not anticipated that the parties will have reached agreement on a revised Development Memorandum by May 15, 2007. The first step is to determine whether a revised development plan is viable, both economically and in terms of uses. Staff therefore recommend that Benchmark #9 be temporarily suspended during this next extension period and re-activated with a new deadline if the Amended ENA is further extended beyond May 15th. It is anticipated that at the Port Commission hearing on May 8, 2007, Staff will present the new development proposal for Port Commission consideration and review and, if appropriate, request a further extension of the Amended ENA in order to give the parties sufficient time to negotiate new financial terms and other provisions of the revised Development Memorandum. Staff also will request re-activation of Benchmark #9 with a new deadline. If an extension is granted, the parties subsequently would seek endorsement by the Port Commission of the revised Development Memorandum at a later Commission meeting prior to the new expiration date.

Benchmark #8 required the Developer to submit a letter of intent from the Active Recreation Operator by November 3, 2006. This Benchmark was not completed. Staff recommend that this Benchmark be temporarily suspended during this next extension period until the use program in the new development concept is further defined. At the May 8, 2007 Port Commission hearing, if Staff request an extension of the Amended ENA, then we also will request re-activation of this Benchmark #8 with a new deadline and conditions.

Benchmark #7 required the parties to reach agreement on the Annual Budget for Transaction Costs by January 2, 2007. Port staff has submitted a draft budget to the Developer for the calendar year 2007, but there has not been final agreement on the budget. Staff recommend extension of this Benchmark #7 to March 15, 2007.

Benchmark #3 requires monthly reports. Staff recommend that this Benchmark be suspended temporarily during this next extension period and re-activated if the Amended ENA is further extended.

Port staff hereby request approval to suspend, extend and add the Benchmark deadlines, as set forth above, and authorization for the Executive Director to execute the Fourth Amendment granting the same.

Negotiating Fees

Currently under the Amended ENA, the Developer is required to pay $250,000 in Negotiating Fees to the Port as follows:

1	$25,000	Prior to Port's execution of the ENA
2	50,000	10 days after Port Endorsement Resolution
3	50,000	10 days after Endorsement Resolution by the Board of Supervisors
4	50,000	10 days after certification of the Environmental Impact Report
5	75,000	10 days after execution of Lease Disposition & Development Agreement
	$250,000	

The parties propose to amend the above schedule as follows:

1	$25,000	Prior to Port's execution of the ENA
2	25,000	10 days after Port Endorsement Resolution
3	25,000	10 days after Board Endorsement Resolution
4	25,000	10 days after certification of the EIR
5	25,000	10 days after execution of the LDDA
6	125,000	10 days after Port endorsement, Board endorsement & trust consistency
	$250,000	

Under this amended schedule the Negotiating Fees will be paid in two phases, a certain amount after the occurrence of the event specified above and the remaining amount after all of the following conditions are satisfied: (i) the Port Commission has endorsed the Development Memorandum, (ii) the Board of Supervisors has endorsed the Development Memorandum, and (iii) the Developer has procured a public trust consistency determination for the Project. If all of these conditions are not satisfied the Port will not receive the full amount of its Negotiating Fees.

Transaction Costs

Currently under the Amended ENA, the Developer is required to reimburse the Port in full for the Port's Transaction Costs, which costs include In House Costs (Port staff time and Port/City attorney fees) and Outside Costs (consultants and outside legal counsel).

The parties propose to amend these provisions as follows:

For In House Costs the Developer will pay the Port fifty percent (50%) of the In House Costs as they are incurred and the remaining fifty percent (50%) after all of the following conditions are satisfied: (i) the Port Commission has endorsed the Development Memorandum, (ii) the Board of Supervisors has endorsed the Development Memorandum, and (iii) the Developer has procured a public trust consistency determination for the Project. If all of these conditions are not satisfied the Port will not receive the remaining fifty percent (50%) of its In House Costs. From and after

the date that all of these events have occurred, the Developer is required to pay the In House Costs in full.

For Outside Costs the Developer will remain responsible to reimburse the Port in full for the Port's consultant fees and outside legal counsel fees as they are incurred.

The purpose of these revisions to the Negotiating Fees and the Transaction Costs, from the Developer's perspective, is to better align the interests of the Port and the Developer toward the timely and successful implementation of the Project. If the parties are successful, the Port will be fully reimbursed; if the Project fails, then the Port will bear some of the loss.

Staff Recommendation

Port staff request that the Port Commission (1) approve the 77-day extension of the Term of the Amended ENA to May 15, 2007; (2) approve the temporary suspension, extension and addition of the Benchmark deadlines as set forth above; (3) approve the new payment schedules for Negotiating Fees and Transaction Costs as set forth above; and (4) authorize the Executive Director to execute the Fourth Amendment to the Amended ENA.

Prepared by: Jennifer Sobol, Project Manager
Planning & Development

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-14

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, The Port Commission at its March 14, 2006 meeting, by Resolution No. 06-22, approved the terms of an Amended and Restated Exclusive Negotiation Agreement ("original Amended ENA") between the Port and SF Piers LLC, a Delaware limited liability company (herein the "Developer"); and

WHEREAS, The Term of the original Amended ENA, as amended by a First, Second and Third Amendments (the "Amended ENA"), expires on February 28, 2007, and the Developer has requested an extension of the Amended ENA Term to May 15, 2007; and

WHEREAS, Port staff and the Developer wish to further amend the Amended ENA to (i) revise the schedule for payment of negotiating fees by the Developer; (ii) revise the terms for payment of the Port's transaction costs; and (iii) suspend, extend and add certain Benchmark deadlines, all as described in the Memorandum to Port Commissioners dated February 23, 2007 for Calendar Item No. 12B (the "Staff Report"). Copies of the Fourth Amendment to the Amended ENA reflecting these revisions and the Staff Report are on file with the Commission Secretary and are incorporated herein by this reference; and

WHEREAS, Port staff recommend to the Port Commission that it extend the Term of the Amended ENA to May 15, 2007, approve the revisions to the Fourth Amendment to the Amended ENA, and authorize and direct the Executive Director to execute the same, in substantially the form on file with the Commission Secretary; NOW, THEREFORE, BE IT

RESOLVED, That the Port Commission hereby approves the extension of the Amended ENA Term to May 15, 2007; and be it further

RESOLVED, That the Port Commission hereby approves amendments to the Amended ENA to (i) revise the schedule for payment of negotiating fees by the developer; (ii) revise the terms for payment of the Port's transaction costs; and (iii) suspend, extend and add certain Benchmark deadlines, all as described in the Memorandum to Port Commissioners dated February 23, 2007 for Calendar Item No. 12B, as reflected in the Fourth Amendment to the Amended ENA on file with the Commission Secretary; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to execute the Fourth Amendment to the Amended ENA, in substantially the form on file with the Commission Secretary, with the

understanding that the final terms and conditions of any lease disposition and development agreement, lease or related documents negotiated between the Port and the Developer during the exclusive negotiation period will be subject to the approval of the Port Commission; and be it further

RESOLVED, That the Port Commission hereby authorizes and directs the Executive Director of the Port, or her designee, to take all such further actions, including execution of documents in consultation with the City Attorney, as are necessary or advisable to effectuate the purpose and intent of this Resolution, so long as such actions and/or agreements do not materially increase the Port's anticipated obligations or decrease the Port's anticipated benefits and are consistent with this Resolution; and be it further

RESOLVED, That the Port Commission, pursuant to Section 7.2 of the Amended ENA, hereby authorizes the Executive Director of the Port, or her designee, to waive or extend the times for performance of the Performance Benchmarks (as defined in the Amended ENA), including, without limitation, the right to condition such waiver or extension on additional Performance Benchmarks or other conditions required by the Port in its sole discretion, provided that such extension does not extend the Term of the Amended ENA; and be it further

RESOLVED, That entering into the Fourth Amendment to the Amended ENA does not commit the Port Commission to approval of a final lease, lease disposition and development agreement or related documents, and that the Port Commission shall not take any discretionary actions committing it to the Project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2007.

Secretary

SAN FRANCISCO
PORT COMMISSION

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FEBRUARY 27, 2007
MINUTES OF THE MEETING

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MEMBERS, PORT COMMISSION

HON. ANN LAZARUS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. RODNEY FONG
HON. MICHAEL HARDEMAN

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
FEBRUARY 27, 2007

1. CALL TO ORDER / ROLL CALL

Commissioner Ann Lazarus called the meeting to order at 2:05 p.m. The following Commissioners were present: Ann Lazarus, Kimberly Brandon, Rodney Fong and Michael Hardeman.

2. ANNOUNCEMENT OF PROHIBITION OF SOUND PRODUCING DEVICES DURING THE MEETING

Commissioner Lazarus deferred the announcement until the Commission reconvenes in open session.

3. APPROVAL OF MINUTES - February 13, 2007

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; the minutes of the February 13, 2007 were adopted.

4. PUBLIC COMMENT ON EXECUTIVE SESSION

5. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

At 2:06 p.m., the Port Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative.*

a. Property: 23rd Street along the bay floor to the San Francisco County Line
Person Negotiating: Port: Brad Benson, Special Projects Manager
*Trans Bay Cable LLC: Sam Wehn

b. Property: Piers 27-31

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development
*SF Piers LLC: Tom Hart and Rocky Fried

6. RECONVENE IN OPEN SESSION

Commissioner Lazarus indicated that the Commission is in recess. They will reconvene in executive session at the conclusion of the public session.

At 3:15 p.m., the Port Commission reconvened in open session.

Commissioner Lazarus announced that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

7. EXECUTIVE

A. Executive Director's Report. Executive Director Monique Moyer reported the following:

- Seawall Lot 337 Committee Meeting – The second meeting of the Port Commission subcommittee on SWL 337, affectionately known as Lot A, is scheduled on February 28, 2007 at 4 p.m. at Pier 1. The subcommittee is discussing development opportunities and planning ideas for SWL 337. She encouraged everybody and anybody who is interested to attend the meeting at Pier 1.

- Cruise Terminal Advisory Meeting – The second meeting of the Cruise Terminal Advisory Panel is scheduled on March 8, 2007 at 9:00 a.m. at Pier 1. The blue ribbon panel was convened by the Port to help staff consider how and where a cruise ship terminal will be built, among many other ideas. She encouraged everyone to attend.

- Stormwater Design Guidelines Workshop – The Port and the SFPUC are teaming up to develop a regulatory guidance document for the minimization of pollutants in urban runoff associated with new development and redevelopment. The first meeting of several public workshops will be held on March 8, 2007 at 6 p.m. at Pier 1. She encouraged anyone interested in design and the environment to attend the meeting.

- Sister Port Conference – The Port is hosting the 2007 Sister Port Conference. We've been lucky to time this particular meeting with the anniversary of our sister port relationship with the Port of Osaka. The sister port conference will take place on Monday, April 23 to Wednesday, April 25. The theme for the conference is "The Synergy of Sustainability: Building Environmental Improvements into Economic Success." This is the same model that that was used by other host ports. Each of the ports will make a presentation of what their ports are doing related to this topic. We've invited delegates from the Port of Cork, Ireland; the Port of Melbourne, Australia; the Port of Shanghai, China; Port of Haifa, Israel; the Port of Le Havre, France; and the Port of Acapulco, Mexico. All ports have accepted our invitation except Mexico. We're honored to have the Mayor of Cork, Ireland, who will extend his visit by a day so that he can stay for the events on Monday night. On Monday,

April 23, there will be a reception to welcome all the ports but the big event will be Tuesday, April 24, for the above-mentioned presentations and a celebration at Pier 1½ for not only the ports and all of the port advocates but as well as the industry groups.

- Pier 23 Café. Pier 23 Café has been undergoing a major renovation project. They improved the substructures in the area underneath the restaurant. They've done a remodeling and an enlargement of the kitchen. They've created a "to go" window and had to repaint and redo floors, etc. They completed their work and reopened on February 16, 2007.

- David Red Capp – one of the most popular fishermen at Fisherman's Wharf, David "Red" Capp, passed away on February 22, 2007. Red was born n Santa Cruz in 1952 and grew up in Santa Cruz and Los Gatos. He was the eldest of four boys, who were raised together by their single mother. Red went to high school in Alaska, where he excelled in wrestling and won the Alaska State High School Heavyweight Wrestling Championship. At the age of 17, Red started fishing out of Juneau, Alaska and 30 years ago, David moved back to California where he continued to fish, but also worked as a pipefitter when necessary. For over 20 years, Fisherman's Wharf was Red's home port. Red was a mentor to many local commercial fishermen. Several fishermen at the wharf got their start fishing with Red and eventually moved up to owning their own boats. David was very generous with his time and could often be found helping other fishermen repair their boats, even while his own boat needed work. Red was also a soft touch for fishermen short of cash. Over the years he made innumerable loans, large and small to his friends. Although David was a "gentle giant," he was the person you would want backing you in a tense situation. He will be missed by many people. A memorial service for Red will be held at the Fisherman's Wharf Chapel on Saturday, March 10, 2007 at 3 p.m. and his ashes will be scattered at sea the following day.

- C. Bradley Mulholland – passed away on February 20, 2007. Bradley Mulholland was the Chief Executive Officer of Matson Navigation Company. Brad started his career as an assistant bookkeeping clerk in response to a newspaper ad and the urging of his mother. He ended up working for Matson for 38 years and moving up the ranks until he was the president and Chief Operating Officer. The Port of San Francisco enjoyed a good relationship with Brad and he will be greatly missed

- Major League Baseball All-Star Game at AT&T Park – July 6 to 10, 2007 – Jack Bair from the Giants indicated that a few weeks ago, Monique Moyer invited him to meet with Port Senior Staff to go over the magnitude of the All Star Week events and discuss issues with the Port staff and thought it would be a good idea to give the Port Commission an overview of the events. The All Star Game is more than just a game. It's more like a convention or a week of activities. The All Star Game is the largest sporting event in the summer for those summers that don't have Olympics. This year, the All Star Week in San Francisco will start on Friday, July 6 and end with the All Star Game on July 10. They expect more than 250,000 people to attend All Star Week events. The All Star Game and week events will be broadcast to more than 100 million homes internationally. It's a major vehicle to showcase San Francisco to the world. The All Star Week alone will draw approximately 3,000 members of the media

and almost 500 international media to San Francisco. The game will be broadcast in 226,000 different countries and in 12 different languages. Baseball is increasingly becoming an international sport. In Asia, North America, South America, Central America and the Caribbean, baseball is a major endeavor. The All Star participants increasingly reflect the fact that the baseball is played around the world. There have been Japanese and Korean players. Baseball has taken off in China and the Caribbean nations. The Dominican Republic and Venezuela are major players to major league baseball. With respect to All Star Week, officials from all the different countries will come in. Major League Baseball takes 14,000 tickets to the All Star Game and distributes them to all of its sponsors, both domestically and internationally, and to baseball delegations from all the countries where baseball is played. Most of the events during All Star Week will be held on Port property. It's an opportunity for the Port to also showcase itself to the world and to the region. Obviously, a lot of the events will be held at the ballpark which is on Port property. A lot of the theatre that will be broadcast on television internationally will be in McCovey Cove and the China Basin Channel as homeruns, especially in the Home Run Derby contest, fly into the water. There's a lot of preparation and discussion about how best to capture that on television. There's also going to be utilization of Pier 30-32, the Embarcadero roadway and Herb Caen Way that links the various parts of the port together.

The landing and staging of the All Star Game took quite some time. It started with Mayor Brown. Mayor Newsom took over and continued to bid with the Giants to host the All Star Game. They are lucky enough to land it. They began preparations for the All Star Game last year and the City delegation went to Pittsburgh to witness what happened in Pittsburgh and how that city prepared for the All Star Game. They have been working together with representatives of different city departments led by the Mayor's office and the Port.

The first event will be held on Friday, July 6. It starts and goes throughout the All Star Week. The All Star Fan Fest is a major event at Moscone Center which is a big baseball theme park. All the baseball legends and All Stars will sign autographs and there will be Q&A sessions. There will be opportunities for kids to throw baseballs and find out how fast they are throwing it and running clinics from professionals. There will be a large traveling exhibit from the Baseball Hall of Fame. There will be an opportunity for kids with physical disabilities to play baseball. On Saturday, July 7, at Pier 30/32 will be the Giants Mid-Summer Ball which involves a public concert and fireworks show and a celebration to kickoff the All Star Week. On Sunday, July 8, there will a Major League Baseball Street Festival on Terry Francois Boulevard featuring exhibits and displays from key MLB sponsors to attract fans and interests from those attending the ballpark events. Sunday will be the first of the full venue of ballpark events such as the All Star Futures Game and the Celebrity Softball Game. Promotion for this event is already underway through all the Minor League teams in Northern California because the Futures Games pit prospects from the World versus United States. It features the best prospects in the Minor League System. The Celebrity and Legends Game will be people that we all know and see on television and former baseball players in a fun atmosphere. On Monday, July 9, is the All Star Workout Day which involves the Home Run Derby. It has become as big an event as the All Star Game itself. The Port and the ballpark, in some ways, will become the focus of the all Star Week because homeruns will be launched into McCovey Cove

and the theatre created there will be broadcast all over the world. There will be a lot of planning about how they can manage the flow of people into the cove safely but in a way that is theatrical and fun. ESPN is talking about putting camera angles that can crane over parts of the cove so you can look down upon the water as home runs splash into the cove. It should be great theatre. That's a major event at the ballpark. It will be covered live on ESPN and carried throughout the world. On Monday night, there will be a major hospitality event at Pier 30/32 for 5,000 guests of Major League Baseball. It should be first class and it will involve fireworks and a concert. On Tuesday, July 10 is the All Star Game Day. There will be a parade called the Red Carpet Show. The current plans have the parade starting at the Ferry Building and ending at the ballpark where all the All Star participants will be in vehicles and parade down to the ballpark where there will be grandstands and red carpet and sort of simulate the pre-Oscar show, with the baseball players being up close for fans and media to interview. There's a pre-game party again at Pier 30/32. The game itself is the largest sporting event in terms of broadcast and interests that happens all summer. It will be broadcast to 220 different countries in many different languages. It's a great opportunity for the City to showcase itself as they show glamour shots of the Golden Gate Bridge, the Bay Bridge, the Ferry Building, City Hall and others. They worked very hard to get the game and they want to make sure that they put together one of the best All Star Game experiences for all the visitors. He thanked all the Port staff that he has been working with and will be working with in the next couple of months to make sure they can pull this off effectively.

Commissioner Brandon asked how the public can get tickets to the game. Mr. Bair replied that there will be a lottery in order to purchase some of the few remaining tickets for the game. Between the Giants Season Ticket Holders and the 14,000 guests of MLB, there are not that many extra seats. They could probably sell a million tickets for the game if they have that many seats. That's one of the many reasons why the All Star Game is spread into the All Star Week i.e. there's lots of different opportunities to touch and experience and participate in the All Star experience other than just the game itself. They've created sort of an envelope of other events that are around the all Star Game so that everybody that really wants to be a part of it can be.

To the extent that some of these events are under the Giants control more or less, Commissioner Lazarus asked if there will be an opportunity to showcase or highlight the Port's participation in this event. Mr. Bair replied that they need to speak with MLB. These events are actually MLB's events. The Giants are the host and obviously, they would like to help facilitate the Commission's desires to get some publicity due to the fact that the game is being held on Port property. He's sure that they can come up with some ways of doing that. The 14,000 guests get a special booklet when they arrive that has greetings from the Mayor and has vast facts and figures about the City, where to go to eat, shop, etc. There is a lot of collateral material that's developed around the All Star Game that there might be an opportunity to send Port messages on.

Commissioner Lazarus indicated that we'd love to have a welcome letter from the Port Director. Ms. Moyer indicated that perhaps the message should come from the President of the Commission instead.

Commissioner Hardeman indicated that maybe we can work out some event on our property inviting some of the guests. Mr. Bair indicated that he has no doubt that all of the Commission will receive multiple phone calls on how all their friends and business associates can get tickets. He thinks that there will be ample opportunity to host people and to take people around. There will be approximately 3,000 members of the media that will descend on San Francisco to cover the game. They will be covering all aspects of the game, from the man and woman on the street interviews to ballpark experience and what the All Stars think of San Francisco and what the restaurants are the best in San Francisco, etc. There will be lots of opportunities working with Renee Dunn to pitch stories.

Commissioner Lazarus thanked Mr. Bair for taking the time to make the presentation and look forward to working with them in the next couple of months. It should be an exciting week.

Commissioner Brandon asked when opening day is. Mr. Bair replied that it's on April 3rd. The first spring training game is on March 1st.

B. Informational report regarding As-Needed Professional Service Contracts, Second Quarterly Report Fiscal Year 2006-07.

Monique Moyer indicated that Norma Nelson is available to answer any questions from the Commission. Since this is our standard report, we didn't plan on making a presentation. We've had it on consent last time and counsel pointed out that it's not an action item so we moved it under Executive Director's Report.

Commissioner Brandon commented that we're doing a good job. Commissioner Lazarus commented that it usually means a good job when there are no questions.

8. CONSENT

A. Request approval of the Port's Operating Budget for Fiscal Year 2007-08. (Resolution No. 07-15)

B. Request approval of the Port's $7.7 Million Capital Project Budget Funding for Fiscal Year 2007/08. (Resolution No. 07-16)

C. Request approval of the Port's Ten-Year Capital Plan. (Resolution No. 07-17)

ACTION: Commissioner Hardeman moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution Nos. 07-15, 07-16 and 07-17 were adopted.

9. ENGINEERING

A. Informational presentation regarding Stormwater Design Guidelines for New Development and Redevelopment in San Francisco.

John Mundy, Port's Utility Specialist, indicated that the regulation for stormwater for the Federal Clean Water Act dates back to 1987. At the time stormwater was first regulated, most of San Francisco is not captured because our stormwater is collected in a combined storm and sanitary sewer system and it's directed to one of the City's three waste water treatment plants. Each of these facilities has a Clean Water Act Permit for discharge to either the San Francisco bay or the Pacific Ocean. The Port of San Francisco, being one of the largest areas in San Francisco, does not discharge to the City's combined sewer system. Instead, when stormwater hits our property, it runs off directly to the bay. In a later regulatory scheme, specifically in a Clean Water Act Permit that was issued in 2003, the State of California and the Clean Water Act focused on the smaller discharges, most often associated with small municipalities. In the case of the City of San Francisco, it focused on areas like the Port of San Francisco, some of its larger port parcels and some areas that are currently slated for redevelopment including Treasure Island and Hunter's Point Shipyard. The City was faced with this new permit and the Port was required to develop a Stormwater Management Program. The Port and the PUC started by partnering together in this effort. As they developed the program, they realized that they are looking at two very different stormwater management scenarios. The Port is mostly maritime facilities. SFPUC, at this point, manages mostly park lands and related facilities. At that time, they decided to administer separate stormwater management programs. They coordinated on water quality issues and because there are certain requirements of the permit, the Stormwater Design Guidelines (SDG) are one of them. There are certain times when PUC and the Port team up on the regulatory compliance.

The Port's Stormwater Management Program was developed in 2004 and was submitted to and approved by the State Water Resources Control Board (SWRCB). The SWRCB approved a 5-year work plan to develop and implement this program. In that work plan, the Port included commitments for addressing pollutants and stormwater runoff associated with new development projects and redevelopment project. The issue is when a parcel is redeveloped, oftentimes the land uses that are proposed for that parcel may introduce new pollutants. For example, if a developer wants to put in a new parking lot or a new restaurant, there may be trash, oil and grease. The Clean Water Act and permitting agencies require the Port to design the facilities and include components built into the infrastructure that control, minimize entry of the pollutants into the receiving waters. Most often, you look at just parenting exposure pollutants so that when the rainwater hits the ground, it doesn't come in contact. In those cases where you can't parent exposure you have to look at downstream controls.

The Design Guidelines are not only going to look at both preventing exposure but also at reducing pollution and stormwater runoff after exposure has occurred. There is a new design concept that has been floating around which is called low impact development. Low impact development looks at designing these facilities in a manner that reduces pollution but it does so by integrating green design features and sustainable development practices in urbanized communities throughout the country. The vegetated swells that are proposed at Pier 94 are an example of low impact design. All of these features and more are going to be incorporated in the stormwater guidelines. Port staff will promote compliance with this permit requirement by using good landscaping features and by

creating a green waterfront in terms of landscaping. The permit that is administered by the State for the Clean Water Act requires that the Port does an extensive public outreach on stormwater management. The stormwater design guidelines program has an extensive public outreach component. Last week, Port and PUC staffs sent out outreach flyers to over 2,000 San Francisco stakeholders. Staff has received feedback from folks who want to participate in the design guidelines process. They will be coordinating extensively with members of the public and various community groups such as SPUR, San Francisco Tomorrow and Bay Keeper. Staff will keep the Port Commission apprised on this effort.

The first kickoff meeting is on scheduled March 8, 2007. Staff hopes to develop the guidelines over the course of two more public meetings after the first meeting and have a set of guidelines ready for issuance in the summer of 2007. At that time, staff will return to the Commission and make a presentation on the final guidelines and seek Port Commission approval to institute a policy. To date, PUC and the Port each has contributed $100,000. The Port hired consultants through the Environmental As-Needed Consultant pool.

B. Informational Presentation on the Status of Contract 2708, Wharf J10 and Fishery Building Demolition Project.

Joe Roger, Structural Engineer and Project Engineer, indicated that the Notice to Proceed was issued on January 15, 2007. The project is currently in the submittal phase which must be completed before demolition commences.

Bill Lau, Resident Engineer, indicated that the contract was certified on January 12, 2007. The Notice to Proceed was issued on January 15, 2007 with a total contractual duration of 180 calendar days. The two contract milestones for the project are as follows:

- Completion of the submittal process – March 15, 2007 (60 calendar days after the NTP)
- Completion of all demolition work – May 15 2007 (60 calendar days after the approval of submittals)

The submittal process requires the contractor to submit all 12 technical submittals to the Port for approval and all the submittals should address the site mitigation plan, demolition method and the required mitigation plan identified by the final EIR adopted by the Port. Part of the submittal process requires the contractor to present the approved technical submittals to the impacted tenants residing nearby the jobsite including the Fisherman's Wharf Advisory Group. Port staff has been monitoring the submittals process and will conduct a townhall meeting wherein the contractor and Port staff will present the submittal to the impacted tenants so that they can offer comments and influence the work plans. This is a continuous effort for Port staff to do outreach to inform the community group and solicit their input during the development of the project so we can address the issue accordingly. Part of the contract requirement is to require the contractor to coordinate any construction work located within the vicinity of the project site. Port staff is responsible to monitor the progress of these construction activities making sure we can mitigate any kind of conflicts during the construction process. In terms of funding, the

project budget of $1.1 million includes 10% of contingency and it is fully advanced from the Port Capital Funds. Since the project is in the submittal process, there is no field work yet. He does not anticipate any kind of change order at this point. As a standard practice, the monthly post payment will be paid based on the verified contract work amount completed in the field. Port staff will monitor the progress of this job making sure that the Contractor's is in compliance with the following requirements: payment of the prevailing wages in compliance with the City's labor standards, HRC's 15% subcontracting goals, provide monthly update of the project's construction schedule, adherence to requirements complying with the Hazardous Material Handling Plan and the Recycling and Reuse Program and compliance with submittal requirement of as-built information for Port records. The date of completion for the submittal process is March 15, 2007. The next milestone is for the contractor to finish the demolition within the next 60 days after the approval of the submittals. The substantial completion date of the project is July 13, 2007. The final completion of the project shall be achieved 30 days after that, which is estimated to be August 12, 2007. Port staff will assure the compliance with all contract requirements as the project proceeds to completion. Staff has created checklists, tables, project reports, daily and weekly reports to assist staff in the quality assurance effort. Port staff will manage and monitor the progress of the project to make sure that the Contractor will comply fully with the contract requirements. Staff will inform the community members of the progress of the project during the construction phase through written newsletters, individual telephone contact and monthly community meetings. Port staff will provide another periodic update to the Port Commission on March 27, 2007.

Bob Gephardt, lawyer representing F. Alioto Fish Company, indicated that there is a statement made in the informational presentation under funding. The statement is that the Superior Court in 2002 awarded F. Alioto Company breach of lease damages. The Port and Alioto are in discussions about the use of those funds. He indicated that statement was included in an informational presentation to the Commission in December 2006. At that time, his partner, Mr. Cincotta, appeared before the Commission and indicated that they are not in discussions relating to the use of those funds. Those funds are theirs and they are not discussing any use of those funds and yet, he's looking at the same statement in today's presentation. There are discussions going on and there are going to be some serious discussions within the next month or so relating to the value of their lease and the value of their business and hopefully resolve the differences between the parties in a satisfactory manner. He wished to make it absolutely abundantly clear that there are no discussions about the use of those funds. The Port Commission should not assume that they are in any discussions relating to the use of the funds that emanate from the judgment. It is their position that those are their funds and they are not up for discussion.

10. REAL ESTATE

A. Request approval of Lease No. L-14261 for 2902 square feet of office space with California Foundation on the Environment and the Economy (CFEE) at the southwest end of Pier 35. (Resolution No. 07-18)

Rich Rovetti, Commercial Property Manager, requested Port Commission's approval of Lease No. L-14261 for office space at Pier 35 with CFEE. CFEE is a non-profit

corporation and has been an outstanding tenant over the past 7 years. In November 1999, CFEE spent over half a million dollars developing and converting shed and undeveloped office space into Class B office space. CFEE created two larger office, suites complete with conference rooms, kitchens, and ADA compliant bathrooms. CFEE still has an outstanding loan balance of over $100,000. CFEE's original lease expired on October 31, 2006 and is now requesting a new five-year lease with an anticipated lease commencement date of May 1, 2007 for approximately 2902 square feet of office space at Pier 35, Suite 202. CFEE is proposing a blended rental rates structure that will allow them to pay off their existing loan balance over the next three years while paying to the Port a rental rate that meets the Port Commission's 2006/2007 minimum monthly rental schedule for Pier 35 Bulkhead Office Space. The rental rate structure is as follows: Year 1 - $1.65/sf; year 2 - $1.75/sf; Year 3 - $1.85/sf; Year 4 - $3.51/sf; Year 5 - $3.72/sf. The overall blended rate throughout the term of the lease is $2.50/sf and is consistent with Port Commission guidelines. As a condition to this lease, CFEE will also be required to pay one half of the total cost to separate the electrical services serving Pier 35, Suites 200 and 202. The total cost of this work is estimated to be approximately $12,800. CFEE has agreed to perform this work and the Port will pay half of the cost up to $6,400. Under CFEE's original lease agreement, CFEE was required to segregate its utility services from those serving the balance of Pier 35. This necessitated the installation of a new code compliant electrical panel for the non-CFEE utilities. Prior to the completion of this work, CFEE was drawing its electrical power from the central command panel. Port staff assessed the value of CFEE's electrical usage over the period of September 1999 to February 2006 to be $33,320.10. CFEE proposes to repay this amount over a 36-month period. Lastly, because the new 5-year lease will put CFEE in occupancy of its current premises for a period of 12 years, Section 9-118(c) of the San Francisco Charter requires Board of Supervisors resolution. Section 23.33 of the Administrative Code states that City policy requires leases to be competitively bid unless such procedures are impractical or impossible. Port staff is recommending the CFEE lease not be competitively bid as a competitive bid process will be lengthy, cost ineffective and may result in Port losing a good long standing tenant. It has been the Port's practice to competitively bid retail and development opportunities and not competitively bid office or industrial leases that meet the Port's adopted rental rate schedule. Port staff recommends the Port Commission to: (1) approve the proposed Lease No. L-14261 with CFEE and authorize the Executive Director or his designee to forward the CFEE lease to the Board of Supervisors for approval and upon effectiveness of such approval to execute Lease No. L-14261 with CFEE for the rental of Pier 35, Suites 202 for a term of 5 years and subject to the additional terms and conditions as set forth. Port staff is requesting the Port Commission approve the resolution excluding the portion of the first Resolved clause concerning approval of Lease amendment No. L-12606. Staff will be coming back to the Commission at the next Commission meeting on consent calendar requesting approval of the lease amendment.

Commissioner Brandon asked about the lease amendment that will be presented to the Commission at the next meeting. Mr. Rovetti replied that under CFEE's existing lease, the lease amendment will be effective as of March 1, 2007. CFEE occupies two premises, Suite 200 and 202. CFEE would like to give back Suite 200, the portion of the premises that they are not using.

Commissioner Brandon asked if the original $500,000 that was used were given as rent credits. Mr. Rovetti replied that they were given some rent credits but a majority of it was paid out of their own pocket.

Dr. Pat Mason, CFEE, indicated that approximately $120,000 went toward the improvement of Port property that was separate from the CFEE space which included ADA, etc. They received rent credits for that. However, they did borrow $500,000 in order to do the entire project.

Commissioner Brandon asked how much the Port will be able to rent Suite 202. Mr. Rovetti replied that the rent will be $2.50 per square foot, totaling approximately $8,000 a month.

Commissioner Hardeman acknowledged P.J. Johnston, former press secretary for Mayor Brown.

ACTION: Commissioner Hardeman moved approval as amended; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 07-18 was adopted.

B. Informational presentation regarding tenant improvement credits and tenant allowances.

Nic Dempsey, Real Estate, indicated that prior to 1991, any and all rent credits of any size or any scope were the subject of the approval of the Port Commission on a case-by-case basis. During the early 1990's, the Real Estate staff and the Executive Director approached the Port Commission to allow certain rent credits to be granted by the Executive Director provided they met certain requirements that were previously approved by the Port Commission under Resolution No. 91-118. That resolution allowed the Port Executive Director to grant certain rent credits to tenants provided they met certain criteria. Chief among those being that the maintenance and repairs or other actions that were reimbursed through rent credits were items that would typically be the responsibility of the Port or would be repair responsibilities that would otherwise be the responsibility of the Port but because of time and economic considerations, the tenant was more able to get these things done than the Port could in the same time frame. The other requirement was that the actual work being done improved the value of the Port property. During that period and prior to 1993, all Port leases were approved individually at formal Port Commission hearings which made it a specifically difficult burden for Port Real Estate staff at the time because they were going through a huge renewal process of many leases that had not been renewed for quite some time. Some of the tenants had been on a month-to-month holdover tenants for 20 years or more and there were more demands for our vacant spaces. The Port Commission allowed the Executive Director to execute leases that met certain criteria previously established by the Port Commission and under Resolution No. 93-127, that program was put into effect. Within that resolution was the right to grant rent credits for two specific areas i.e. paint and wall coverings and new carpeting. To the extent that Port staff was not able to accommodate the needs within a timely fashion for new paint, the tenants were allowed to paint their offices subject to a rent credit of up to $2.50 per square foot of floor area or to the extent that the Port was unable to install new carpet in a timely fashion, the tenant was permitted to buy carpet and have it installed that met Port's standards and guidelines for a rent credit of up to

$2.50 per square foot. Once those costs have been certified as actually having been spent, the tenant was then allowed a rent credit that was equal to one half of the then monthly rent in successive months until such time as the rent credit was fully applied.

In 2003, as the Port offices and Port industrial spaces became very well occupied and have small vacancy rate, the Port Commission determined to rescind the rent credits that were previously granted by the Executive Director under Resolution No. 91-118. The rent credits available to the Port Real Estate staff through the Executive Director under 93-127 remain in place i.e. we may grant rent credits for carpet and paint at that same 1993 rate of $2.50 per square foot. The other area of rent credit that was granted to the Real Estate Director under 93-127 was to allow a tenant to have one month free rent or an abatement of rent for the purpose of the tenant moving in and installing its fixtures and equipment. That remains available to the Executive director through Port Commission Resolution 93-127.

Currently, Port Real Estate staff does not feel that the real estate market warrants any additional rent credits or tenant allowances in order to attract tenants and remain competitive within the commercial real estate market place. However, it may be necessary for staff to review the dollar amounts that were originally proposed under Port Resolution No. 93-127 and if staff feels they need adjusting, staff will come back for a hearing and an approval.

Ms. Moyer commented that this is one of the policies included on the list that staff brought to the Commission approximately18 months ago and promised to update the Commission on.

C. Informational presentation regarding Real Estate Broker Fees Policy at the Port of San Francisco.

Vicky Lee, Leasing Manager, indicated that in 1993, the Port Commission approved the Policy for Brokers' Commission. In 1995, the Port and San Francisco vacancies were high. To reflect the market condition, the policy was amended to increase commission rate. In 1997, the Port Commission approved modification of the policy through Resolution 97-98 which provided a lower commission rate of 2.5% of the annual rents for lease years 1 through 5 net of any rent credits, cost of living increases and market rate adjustments. For leases in excess of five years, the brokers' commission would be the lesser of 2.5% of the first five years of annual rent or 2.5% of the first five years of imputed rent. After the economic recovery began in the summer of 2003, the San Francisco commercial real estate market has continued to experience a steady improvement evidenced by declining vacancies and rising rental rates. For the third quarter of 2006 reported by NAIBT commercial, the average citywide office vacancy rate was 11% and the average industrial vacancy rate was 3%. On November 18, 2006, Port staff performed a real-time Port vacancy study. The average office and industrial vacancy rates were both at approximately 3%. Benefiting from the desirable waterfront location and the easy access to public transportation, the Port's vacancy rate are lower than the overall San Francisco commercial real estate market. Based on the NAIBT Market Report and the Portwide vacancy rate summary, Port staff has determined that it would not financially benefit the Port to utilize the broker community at this time. In the following

weeks, Port staff will put forth a recommendation to the Commission to reflect the changes in the policy.

Joe Boss indicated that he has a problem with wholesale saying no commissions to brokers. The ups and downs of the commercial real estate market are very well known. The effectiveness of the Port's Real Estate department in the past has been questionable. Great improvements have been made in the last couple of years but to take the broker community which actually can be driving not just vacancy or occupancy but also rate out of the formula. He cautioned that this needs to be closely examined.

D. Informational presentation regarding the environmental review and energy policy considerations related to the proposal by Trans Bay Cable LLC (TBC) to install an electricity transmission line at 23rd Street and the San Francisco Bay and proposed terms of the proposed Port-TBC agreements.

Brad Benson, Special Projects Manager, indicated that this is a 400 megawatt direct current transmission line that is proposed by Babcock and Brown and the City of Pittsburg. It will run between a converter station in Pittsburg, 53 miles along the bay floor to a converter station in San Francisco at the corner of 23rd and Illinois Streets and connect to the Potrero substation. The project is, generally speaking, designed to address reliability concerns about the San Francisco's transmission service. Carol Bach from Planning and Developing is managing the CEQA portion of this project. If the Port Commission decides to act with respect to a license agreement with Trans Bay, they would have to adopt CEQA findings. Larry Tobias, from the CA Independent System Operator, is one of the grid engineers overseeing the San Francisco. It was first a study and then yielded the Trans Bay Cable project as the CA ISO's preferred alternative. Barbara Hale and James Hendry from SFPUC Hetch Hetchy Division participated in the stakeholder process and will both comment on the City's participation in that process nad provide some of the contextual activity related to the closure of the Hunter's Point Power Plant and the Potrero Power Plant.

Carol Bach, Planning and Development, provided the Commission a brief background on the CEQA process to date. The City of Pittsburg is the lead agency for environmental review of the Trans Bay Cable project. The City of Pittsburg produced the EIR and subsequent addendum for the project. The draft EIR was first published in May 2005 and it evaluated many potentially significant impacts and associated mitigation measures related to the project. The draft EIR identified the impact to cultural resources due to demolition of two potentially, historically significant warehouse buildings at the site of the originally proposed San Francisco converter station as a residual impact that could not be mitigated to a less than significant level. The City of San Francisco including staffs from the Port, PUC, Planning Department and City Attorney's office submitted a combined comment letter on the draft EIR that included more than 80 comments in the areas of the need and justification for the project, impact on historic resources, land use, public access and open space, air and water quality, noise and visual impacts and mitigation measures monitoring. Many of those comments were primarily informational in nature and pointed to a need for additional information or clarification in the EIR document. Pittsburg staff and consultants responded to the City's staff representing different subject matter areas on each one of the City's comments and ultimately produced a response to comments that is part of the final EIR document. The responses to

the City comments on the draft EIR addressed many of the City's comments and also included relocation of the San Francisco converter station site so that the building would be on a new portion of the site and that the two potentially historically significant buildings would not be impacted. By moving that construction, it reduced the only identified significant impact to a less than significant level. The final EIR was certified by the City of Pittsburg Planning Department in November 2006. After the final EIR was certified, the City of Pittsburg issued an Addendum to the FEIR that described proposed changes to the project that were enabled by the new availability of a technology for the converter station. The new technology which is referred to as the HVDC Plus allows for construction of a smaller, lower and quieter converter station and implementation of this new converter station technology reduces impacts such as noise and visual impacts that had already been identified as less than significant. Before approving a license with Trans Bay Cable, the Port Commission would be adopting CEQA findings regarding the environmental impacts related to its approval and also adopting mitigation measures monitoring program. Draft CEQA findings are attached to the staff report. Some of the mitigation measures included in the CEQA findings include 14 mitigation measures that would be conditions of the Port's license, 33 mitigation measures that are subject to jurisdiction of both the Port and the City Department of Building Inspection and two mitigation measures that are under the joint jurisdiction of the Port and the Department of Parking and Traffic. If and when the project is approved, Trans Bay Cable would implement most of the mitigation measures and develop and implement a mitigation measures monitoring program and Trans Bay Cable has committed to hiring a third party entity to oversee implementation of the mitigation measures monitoring program in San Francisco. Some of the mitigation measures listed in the CEQA findings include avoidance of sediment contamination throughout the cable route, most particularly, in the area of sediment contamination directly offshore from the Potrero Power Plant. Dust and air emission controls that would be implemented both during construction and operation of the facility. Those include emissions controls on construction, vehicle, equipment and operational equipment as well as use of alternative fuels. Design review of proposed construction and landscaping. Hazardous material and hazardous waste management control measures that would be implemented both during construction and operation of the facility. For example, all of the soil that would be disturbed by construction of the converter station and installation of the cable under 23rd Street would be characterized in advance of construction and subject to a soil management plan approved by the Department of Public Health. The CEQA findings also include 4 mitigation measures related to coordination with maritime transit before, during and after installation of the cable along the bay floor.

Larry Tobias, Lead Engineer at ISO, indicated that he has been doing transmission planning for over 35 years. The Trans Bay Cable project is the outcome of a 3-year stakeholder process. He was the lead at the stakeholder process. As a result of the different alternatives they've studied, they chose this project because not only did it provide the reliability benefits that needed but it also has economic benefits. When they initially went through the process, they had determined that this project was needed by 2012. Recent studies he participated in showed that the determination is that this project is needed for reliability by 2010. This project is a reliability project and has economic benefits. In initiating the stakeholder process where this project became the preferred alternative, there is a need for new, increased programs for renewable resources, distributed resources, load management because the best thing we can end up with is less

load not more generation, not more transmission. If that does not develop sufficiently, there will be generation by the load as Potrero Power Plant and Hunter's Power Plant were. Being that they were very old and that was recognized when they went into deregulation, such there was an agreement between PG&E and the City of San Francisco to close Hunter's Point. That has transpired through the action plan. The Potrero Power Plant is not reliable. They have been dealing with issues regarding maintaining reliability in the City. Potrero 3 was offline over a month between October and November last year in addition to having one of the combustion turbines (CTs) off for a week. We were in a condition where we are in the middle of winter not in the heat wave that we went through last summer and we were in jeopardy of not being able to serve all the loads in San Francisco. In effect, we were very quickly going back to the situation we were in during the energy crisis particularly for San Francisco. He described where we are versus what we need to move out of that situation. What we need is to continue on and successfully complete the action plan. We need new generation, transmission both reinforcement transmission and a new transmission line. From the very beginning of the San Francisco stakeholder process, it has always been and it still his position that we need all of it. We cannot move forward with part of it. We cannot pit transmission against generation or we will end up with none of it. We are at that critical juncture. What brings us there is not just low growth in the area but it's the retirement of the old power plant and their replacement is by a lot less generation. For example, Hunter's Point Power Plant was a little over 213 megawatts. The existing Potrero Power Plant is 357 megawatts, a little over 200 megawatts for the largest unit and 50 megawatts for the other three. The new San Francisco CTs – the three that will be sited and operated near the Potrero substation are a little less than 150 megawatts. PG&E put in their Jefferson Martin project. The Hunter's Point Power Plant was retired. For the most part, Jefferson Martin 230 kv line became fully loaded enough such that by 2010 we need another transmission line. That is in conjunction with the Potrero power plant going away and lesser generation coming in there. Another important factor in considering this project and understanding it is that going into this year, the reliability criteria that they used to judge the state of the system in what we need to conform with when we are operating the system let alone planning the system, that criteria is determined by the federal government through a national electric reliability council and it's enforced by the Federal Energy Regulatory Commission (FERC). Going into this year, those standards are mandatory and they are punishable by significant fines, in the millions of dollars. FERC has already leveled fines this year. While we used to have more leeway in the past, it's important to note that now we are at a point where there's not a lot of latitude other than conforming to the reliability criteria. It's in large part not because of the outages we saw in California but historically the major ones in the west in the early 1980s. For instance, the last major blackout that started in the Midwest and spread into the eastern coast. These are very significant questions.

When we went through the energy crisis and CAISO had to call rolling blackouts. It's not a blackout that started because of some equipment failure or lightning. It's something they are initiating. They are initiating something potentially where the power is going off at intersections and other parts of critical infrastructure. Hopefully, nothing bad happens. We were very fortunate that at that time, there citizens in the intersections directing traffic. That certainly solved it in San Francisco and the city is very unique in having that support. They don't want to get into that situation again. Without the Trans Bay Cable project to follow successful completion of the action plan, we will be back in that

situation. With the Trans Bay Cable following it, we will have a long term transmission plan to provide reliable power to San Francisco, at least 10 years. If this project comes in 2010, we should be in good shape until 2020.

Mr. Tobias indicated that he is also leading a stakeholder process for the greater bay area similar to San Francisco that they would like to see: (1) less load. It's better for us and for the environment; (2) the most reliable service can be generation in the area and; (3) transmission. Then the possibility is bringing transmission. He is at a juncture where he would like to see policy, program, etc. that would lead to less apparent load on the system. For San Francisco, we are at the critical juncture where we need everything in the action plan and this project following it.

Barbara Hale, Assistant General Manager responsible for power at SFPUC, indicated that they have been working with Port staff and supporting them in their evaluation of the Trans Bay Cable project. While their Commission has not taken a formal position on the project because it doesn't have a discretionary act. They have been very active as staff in the stakeholder process that Mr. Tobias described offering their views on the analysis they conducted at the ISO. The Port staff analysis represented in the staff report is a very accurate representation of the situation. The fact that the City's electric resource plan that was adopted in 2002 only goes out to 2012. It puts the City in an awkward spot because they did not consider, when the City, through the PUC and the Department of the Environment, put together the electric resource plan, the Trans Bay Cable project. It was not on the horizon at that point in time. She emphasized that the closure of the Potrero Power Plant depends upon the completion of the ISO Action Plan which includes the CT project that SFPUC is sponsoring. The closure of the plant is not tied to the Trans Bay project. The ISO's analysis that examines the post 2012 reliability shows a long-term need to maintain reliability in San Francisco. The ISO in its role as a grid manager takes a careful and cautious approach when it analyzes the reliability needs. While ISO appreciates the City's interest in pursuing non-generation, non-transmission solutions to reliability, they're expressing a concern that when you want to believe a large infrastructure project like the Trans Bay Cable or other transmission facilities or generation facilities, they're long-lead time, long-time planning projects. Overall, we all have a strong interest in maintaining the reliable electric service in San Francisco. The Commission is committed to energy efficiency and renewables because they worked on a number of projects together on the Port facilities but the Trans Bay Cable presents the solution as Mr. Tobias described that the State recognizes to meet 2012 and beyond electric resource needs in the City.

Brad Benson explained some of the Port staff's public outreach efforts. Staff made presentations to the Port's CWAG and SWAC groups in a joint meeting and have gone over all of the issues discussed today i.e. the CEQA components, the energy policy issues and the terms of the agreement. Staff heard opposition to this project. San Francisco Community Power is the leading private sector non-profit group that is focused on this project. They have spoken at both of the advisory group meetings. They could not be here today but they asked that they share with the Commission and make available to the public their letter to the CAISO opposing the project. He expects that if Port staff bring to the Commission a proposed action item, they might testify at that time and explain some of their concerns about the project.

Commissioner Brandon asked what it is within the energy policy the Commission would have to take action on.

Mr. Benson indicated that staff's recommendation is that the Port has in-house expertise related to CEQA and to negotiating a real estate agreement but we don't have the capacity to evaluate the project from an energy policy perspective and would expect that when this item goes to the Board of Supervisors that there would be healthy consideration of those issues. This is a once-in-a-decade kind of project serving San Francisco. It deserves full consideration of not just the Real Estate component but all of the complicated energy policy issues that exist.

Commissioner Brandon asked if there is an energy policy that the Commission will have to vote on before going to the Board. Mr. Benson replied that outside of narrow public benefits that he will talk about as part of these terms, he does not expect so.

Mr. Benson indicated that 9.4 miles of the 53 miles submerged cable from Pittsburg along the bay floor to south of 23rd Street is under the Port's jurisdiction from the county line out in the middle of the bay to 23rd Street. We would be contemplating two, non-exclusive consecutive license agreements, one covering up to 4-year construction period and the other covering an up to total of 66- year operating agreement. It would be for this 9.4 miles, it would be a width as yet to be negotiated that would cover the easement on both sides of the cable. We are and have looked closely at the California State Lands Commission approach to negotiating its license agreement and its use of appraisal methodology that we are trying to emulate that will yield the proposed annual license fee to the Port for the use of Port's property. We're still awaiting the appraisal. The permitted activities under the two license agreements differ under the construction period license. It obviously relates to the construction of the cable under the operation period, operating it, repairing it, replacing portions of it that need to be replaced. The base rent is subject to appraisal. There are a number of environmental concerns related to this project that were discussed in the past. This is going to be construction that will go from land and will tunnel down underneath the bay floor and out into the bay and emerge. That will involve excavating some soils that are subject to the City's Maher's Ordinance. We don't know if there is contamination in that section of the bay. One of the major terms that we've been trying to negotiate is a letter of credit for $5 million to protect the Port during this construction period. If there is contamination that the Port is forced to clean up as a result of this activity, we will have some financial assurance to protect the Harbor Fund. Additionally, we would maintain at least $1 million letter of credit during the term of the operational period of the license and springing up again to at least $5 million if there is future construction activity. With these types of industrial license agreements we would negotiate an environmental oversight deposit that would pay Port staff costs if there is a regulatory order associated with the project because the Port, as property owner, is liable for any regulatory action. We would require removal of the cable. We will look closely at what Pittsburg is requiring in terms of decommissioning under their agreements. The license agreement could be assigned. Trans Bay Cable plans to assign the agreement to the City of Pittsburg after the construction period is over and once it commences operation. The City of Pittsburg will take over operating the facilities. Standard insurance is subject to the City's Risk Manager's recommendations and the Port's standard general indemnity and environmental indemnity provisions. We don't have a specific proposal today. We have raised this question at the advisory group meetings. Major development

projects like this typically provide some level of public benefits. In the case of an office building, it might be affordable housing actions or transit impact fees. There's a very similar precedent for major electric infrastructure projects like this. We are contemplating asking for a fairly sizeable lump sum contribution that based on the feedback we've heard could be extended in a couple of ways: (1) Set up an annuity that would pay for ongoing maintenance cost associated with waterfront open spaces from Pier 70 south to the Port's southern most jurisdiction line; and (2) Funds to expend on Port property that would pay for renewable energy projects or energy conservation projects. That's the major package of public benefits that we have been negotiating for the Port. We are also looking very closely at what Pittsburg negotiated in its agreements. There are additional benefits that Pittsburg generated to the Pittsburg general fund. We're looking to those provisions to see what we can negotiate with Trans Bay that might benefit both the Port and the City.

Brad Benson indicated that David Parquet and Sam Wehn are in the audience from Babcock and Brown. They made a presentation to the Commission in December. They are available to answer any questions about the project. Additionally, Joanne Lanpier from the City of Pittsburg who prepared the Pittsburg FEIR and its addendum is available to answer any questions as well.

Michael Thierault, San Francisco Building Trades, indicated that those of them who lived in San Francisco for more than a few years have direct experience about the challenges of reliability in a City on the tip of a peninsula. With the eventual closure of the Potrero Power Plant and having to rely on a single source of transmission, the Jefferson Martin line, he expects those questions of reliability to become even stronger. He is not an expert on power but it occurs to him that if we rely on one system of transmission that question of conservation and renewables from tide when solar does not address the reliability question then other source of transmission is needed. That is what's being proposed today. It seems that the alternative would have been locally produced power through a power plant. For a variety of reasons not the least of them environmental justice in the location of that plant, such a solution would have been unacceptable. He complimented the project sponsors on their outreach both to the community and the union. Their dealings with them have been uniformly agreeable. They have agreement with them to employ their workers on this work. He supports the project.

Joe Boss indicated that the last time he was here, he spoke about the fact that the transmission project itself is very much needed for reliability in San Francisco. Barbara Hale talked about the city's electricity plan and it's being updated now even though it was written in 2002. It will probably include some of those things that were written in the State's Action Plan. San Francisco's Action Plan was the first that CAISO undertook anywhere in its jurisdiction which speaks to the fact that there is a lot of interest in how we deliver power, how we get renewables, how we put solar on Port property and everything else that goes along with green and renewable power. Commissioner Brandon at the last meeting asked specifically what the outreach to the community was. While Babcock and Brown has done an excellent job of showing up to every Port citizen advisory group and has been to the Dogpatch Neighborhood Association and made presentations to the Potrero Boosters, this facility is in their backyard and most of the generation in San Francisco. They asked them to get involved in the community planning process. It's currently going on and it's being put on by the community. It includes the City, which is doing the eastern neighborhood planning. The Port has been participating,

UCSF has been participating. Even Mirant has been participating. Babcock and Brown has not been participating. The explanation he received is that they don't have a community outreach resource but they have engineers, environmental people. He suggested that since Pittsburg is in essence the sponsor that may be the person from Pittsburg could be the person that goes to the community planning meetings. Key element is where the facility go, how does it fit in to the central waterfront and there are competing interests in so far as the best place to put on Mirant but Mirant does not want to play ball. That doesn't mean that the community should not be reviewing where the facility is going.

Commissioner Brandon indicated in Mr. Tobias' presentation, he mentioned about the reliability and economic benefits of the project. She asked what the economic benefits are. Mr. Tobias replied that because of the electrical, geographical design of the system, currently all the power lines come up to the Peninsula. This project would only come across the bay for two reasons. Because it's coming across the bay, it unloads that transmission through the Peninsula and across other parts by the San Mateo Bridge, Dumbarton Bridge and through San Jose. It provides savings because it relieves that part of the system of electrical losses that occur through transmissions through a longer route. Because this is a controllable DC line, the power interchange can be changed such that it provides as maintenance is necessary through the other part of the system. The existing system for San Francisco rather than saying that at times we should armload to be dropped or, as should be, run other generation in the City. For instance, the emissions are higher in the existing generation. It means running that at a higher cost versus not. So there's savings to be had there for the DC. They can ramp up the DC and unload the rest of the transmission and perform maintenance on it. That will be true in the future when the new combustion turbines are there even though they will be licensed for many more hours for half of the year. It would still be the objective to try to minimize their operation. Therefore, we would achieve the maximum environmental justice in the city for the least amount of generation operating. The DC line is the best fit for doing that.

Commissioner Brandon understands from Mr. Tobias' comments that we will need it all and we're going to need a lot more. She asked what's going to happen with the Potrero Power Plant. Is anything going to shut it down? Mr. Tobias replied that they're putting in place everything that they can so that there's not a reliability need for it, there would not be a contract for it. Right now, they subsist through having a contract; otherwise, they would not be economic to run. They've had under armor contracts, what they call condition 1 and condition 2. Condition 2 covers a lot more of the cost of operating the plant. This plant uses water for cooling. Their current permit water permit only runs through the end of 2008. Unless something dramatic happens where there's very much need for power than what they forecast, this power plant would not be operating. Therefore, Mirant wouldn't continue. Currently, he also reviews all the new generation projects occurring in the bay area and around the bay area that still looks promising to be able to take care of it. It's to the point now where we have a study where they are looking at what they can put in place to retire the other old generation in the bay area, Pittsburg and Contra Costa. They are not planning on that being the source for this Trans Bay cable and what else they can do. Behind all their efforts is that development of renewable resources in northern California. PG&E is looking at that as well all the way up to Canada.

Commissioner Brandon asked Ms. Hale the same question she's been asking ever since this project came to the Port Commission, can PUC give the Port an opinion about this project because we're not energy experts and we don't deal with energy. She asked if PUC is going to give the Port any type of recommendation. Ms. Hale mentioned that she supports and recommends the analysis that Port staff has given the Commission but Commissioner Brandon asked about the specifics on what it is she thinks is good about the project. Ms. Hale pointed out that their Commission has not taken a position. They have been very active with Mr. Benson in helping him understand the project, helping Port staff understand the project and how it fits in. They are doing that absent having a clear picture from the city's perspective since this project was not included in the electric resource plan in the City that was adopted in 2002, which they always go back to when they look at new infrastructure investments by the City or other energy infrastructure proponents. This project, because of its reliance on it by the ISO, presents them with a unique opportunity to ensure reliability in the post 2012 timeframe. They did have an opportunity as a City to talk before the Board of Governors at the ISO. They were represented there by the City Attorney. When this project was put before them for consideration, when Mr. Tobias and ISO staff recommended it to the ISO, at that time, the City's position was we recognize that transmission is needed; a project like this is appropriate. She thinks that in that context, a project like this, the one specific we have is this particular project. As Mr. Benson summarized, it presents some environmental issues that need to be mitigated, some public benefits package issues present themselves that help the City and the Port Commission, through that negotiation process, become more comfortable with the tradeoff, the challenge a new infrastructure like this places especially when you put it in a community you're putting it in. The proposed location has been chronically burdened in the City with environmental justice issues. They have inordinate amount of energy infrastructure. We're trying to move away from that. PUC is proposing a new green community at Hunter's Point to help address that. They've taken other steps on their own infrastructure improvements at PUC with the wastewater treatment facilities and the public benefits package that came with it. She thinks that like the Port Commission, PUC Commission has been challenged to find ways to balance those conflicting needs. A project like this presents a unique opportunity to address an identified reliability need. It brings with it some disadvantages. Through the public benefits package approach, she is hopeful that the City can obtain a package that makes it comfortable that this specific project is an acceptable resolution to that reliability problem.

Commissioner Brandon asked what the plan was for the City for reliability through 2020 in the 2002 Electric Resource Plan (ERP). Ms. Hale replied that the electric resource plan did not address this transmission. It addressed the Jefferson Martin line as a possibility, now it is a reality. The Electric Resource Plan addressed how to shut down Hunter's Point consistent with a settlement agreement the City already had with PG&E. PG&E was ready to shut the facility down after the City had negotiated a settlement agreement. The ISO stepped in during that energy crisis and said we can't shut it down because it's needed for reliability. The ERP sought to ensure that settlement was acted on and it has been. The additional resources that the ERP discusses are the preferred resource approaches which is to shrink the actual demand, shrink the load, shrink the need as Mr. Tobias said, that's always the best place to start. That's through investment and energy efficiency both on the municipal government side but also as spearheaded by PG&E with all the businesses and residences they provide service to. The ERP identified investments

and renewable resources with a strong emphasis on solar, large scale wind. These were resources on both municipal facilities like the Port at Pier 96 and on residential and business properties that PG&E serves. Those were the package of options for making sure that electric services remain reliable in San Francisco.

Commissioner Brandon asked where the converters fit it. Ms. Hale replied that the combustion turbines fit in as a part of the action plan for removing the ISO's obligation on Potrero that facility to continue to run. When they took the ERP and asked ISO what they need to do from ISO's perspective to accomplish these goals, they sat down with them in a stakeholder's setting and developed the ISO Action Plan. As Mr. Boss stated, it's very unique. It's the only action plan that ISO has established for a particular region like ours. It was through that process that the CT project was identified as a vehicle to shut down or remove the obligation that the ISO had placed on Potrero to continue to run that facility. That's how the combustion turbine project fits in. As Mr. Tobias said, it's total generation is smaller than the existing facilities but in combination with the other transmission upgrades that PG&E has put in place including Jefferson Martin, that smaller generation is sufficient to meet the reliability needs and allow Potrero to not to continue to run.

Commissioner Brandon asked if Potrero will be shut down once the converters are in place. Ms. Hale replied that ISO will remove from Potrero the obligation to run and the additional payments it makes to make sure it runs. The way that relationship works is that the ISO signed a contract with Mirant to cover their costs of continuing to run. Generally speaking, it's a project that cost more than the market clearing price for electricity to run. They won't have an economic incentive to continue to run. Mirant came to the Potrero Hill House meeting and spoke before the Power Plant Task Force and Mirant's international asset manager came and spoke about the facility and answered the panel's questions about what's going to happen. They were very frank with the community that they recognized that the facility is going to need to shut down. Perhaps there is a better use for the property that suits their business needs and our doing some outreach to work with the community on developing that approach to that property consistent with their recognition that the city wants to see the facility closed. We don't have an iron clad sign on the line agreement like they did with PG&E on Hunter's Point but they are close to that. They are continuing to work as a City family with Mirant to see if we can get to that point.

Commissioner Brandon mentioned to Mr. Boss that she spoke to the group about the community outreach and they have agreed that they will have someone throughout the project, not just through construction but continuously to work with the community and keep them updated on their needs.

11. MARITIME

A. Informational presentation on a proposed Marine Terminal Agreement for Pier 80 with Pasha Automotive Services (PAS).

Peter Dailey, Maritime Deputy Director, indicated that this is an exciting new opportunity with Pasha Automotive Services for cargo shipping at Pier 80. Pier 80 in the southern waterfront is the Port's primary cargo terminal. Since 1997, Pier 80 has been managed by

Marine Terminals Corporation (MTC). In early 1995, the Port made a decision to focus on attracting breakbulk cargo shipping as opposed to competing with the mega ports such as Oakland on containerized shipping. Large ports with their economies of scale and intermodal connections proved to be a difficult task. After experiencing years of operating losses, we diversified our cargo mix at Pier 80 by emphasizing breakbulk and bulk cargoes. Breakbulk or neo bulk cargo in general is non-containerized cargo, such as automobiles, steel, lumber and newsprint. Currently, MTC operates all 70 acres of Pier 80 and has been relatively successful in bringing in steel, lumber and newsprint. In 2006, the Port has been able to increase the amount of breakbulk cargo to approximately 260,000 metric tons and earned approximately $400,000 in operating income at the facility, a major accomplishment from the significant losses that the Port incurred a few years ago. Nonetheless, the facility at Pier 80 remains underutilized. We should be able to move more cargo as the facility is laid out for more cargo than that. Additionally, the Port soon will have on-dock rail at Pier 80 which will further enhance its marketability and helps streamline the movement of cargo in and out of the facility via rail.

In November 2006, Port staff began discussions with the Pasha Automotive Services, an affiliated company of the Pasha Group, with a proposal to expand their automobile import/export operation into San Francisco. Founded in San Francisco in 1947, The Pasha Group is a diversified international logistics and transportation services company. Pasha handles a wide range of products incorporating all modes of transportation and technology. Pasha operates terminals in the Port of Los Angeles and the Port of San Diego.

The Pasha and the Port are negotiating an agreement, pending Port Commission approval, of a Management Agreement with Pasha Automotive Services for a 15-year non-exclusive Management Agreement for operation of a motor vehicle export/import terminal on half of the Port's cargo terminal at Pier 80. In the proposal, Pier 80 will be divided among PAS and MTC. MTC's management agreement will be amended to reflect this change and it is expected that MTC will continue to work the general break bulk cargo on their portion of Pier 80. MTC has 3 years left in their 5-year agreement. The Management Agreement with PAS is limited to the import/export, primarily by water, of motor vehicles and ancillary operations necessary to run a motor vehicle terminal. In the event that MTC decides not to continue operations at the Port during their remaining term and give their 90-day notice, PAS has stated that they would take over the MTC portion of the terminal. In such event, PAS could extend their cargo operations to include general break bulk cargo in addition the auto business.

Under the Management Agreement, PAS guarantees the Port of San Francisco a minimum throughput of motor vehicles through the facility. Total annual revenue will be based on the number of autos passing through the terminal by ship, rail or truck.

Tariff revenue of this agreement will be similar to other West Coast ports such as San Diego and Los Angeles. The Port and PAS will divide Port revenue which includes all wharfage, dockage, storage and demurrage per the Port's Tariff on a revenue split of 60-40 for the first two years and 75-25 for years 3-15. The main tariff revenue will be from wharfage from automobiles, today's dollars of approximately $21 per car. The revenue split, as described, is identical to the Port of Richmond and Port of San Diego, our two largest competitors.

PAS will be required to have full Environmental Financial Assurance in the following amounts for the full term of the Agreement:

- $10,000 Environmental Oversight Deposit
- $1000 Letter of Credit

One of the issues that staff has not completely ironed out but is in discussion with PAS is the limited Right of First Offer for approximately 8.77 acres located at the Western Pacific site, subject to any existing rights of tenants and licensees to such space, market values and prior approval of the Port Commission. There could be some available land there for extending our cargo operations and it remains to be seen. PAS has identified that site as a possible location that could be a benefit to the Pier 80 facility.

PAS shall maintain sufficient personnel, equipment and contracted services in order to provide a level of customer service equal to or exceeding other West Coast break bulk terminals. PAS shall supply sufficient security guard manpower for compliance with the appropriate Facility Security Plan (FSP) required by the Marine Transportation Security Act of 2002 (MTSA) guidelines, including any amendments or changes to the FSP during the term of the agreement. PAS is required to abide by and cooperate with the Port in the implementation of the environmental policies and programs established by Resolution No. 03-39 and any future recommendations adopted by the Port Commission. PAS will incorporate all City requirements, including the Health Care Accountability Ordinance, First Source Hiring, Local Trucking and the Green Building Ordinance.

This proposal was brought to the Maritime Commerce Advisory Committee and the Southern Waterfront Advisory Committee. There were questions raised in the SWAC meeting regarding possibilities for local hiring, environmental impacts and truck traffic. Michael Pasha will address these issues in his presentation.

Port staff believes that this proposed Management Agreement allows the port to further diversify its cargo base, increase overall cargo tonnage and increase net cargo Port revenue and solidify the position of Pier 80 as a cargo terminal. For the last ten years, we've been operating on a 90-day license at the terminal. This would be a long-term agreement like other ports enter into that would solidify our future and income stream and get the port back in the game to a certain extent. The devil's in the details. We have a lot of work to do with Pasha and we want to make sure that we work closely with the community and assure them that the best operating practices will be incorporated.

Michael Pasha, General Manager of Marine Operations, indicated that as Peter Dailey mentioned Pier 80 is an ideal location for neo bulk and they see an excellent opportunity for a long-term lease at the Port. His grandfather started this company in San Francisco over 60 years ago. His father since took over and they are one of the first automotive import companies in the West Coast. They have a lot of history in the automotive business. They expanded to Southern California to the East Coast to automotive factories around the country and rail ramp locations where they currently operate. They expanded from there into transportation services of various kinds for a project logistics for household goods relocation. In 2005, they launched the first U.S. built automotive car carrier/vessel and it's operating between Southern California and Hawaii. They hope at

some point in the future, they could bring that business to the Port. Pasha has developed in house their own systems to compete with the other automotive logistics companies and transportation logistics companies. They are very proud of the systems they have in place. They are family business. He is third generation. His brothers and sister are all working in the company in California. Some of their major automotive customers are Acura and Honda. They deal with some of the rental return companies Alamo in Hawaii, Audi and Volkswagon. They plan to move about 500,000 vehicles in San Diego over the period of 2007. He showed an overview of Pier 80 and the access to and from the highway that would give an idea on their plan to stay off the city streets and occupy just a short bit of public access on Cesar Chavez to get to and from the highways where most of the vehicle movement coming to the Port and going out to dealerships and coming into the Port for export and how it would come in and out of the facility at Pier 80. He showed a visual of how the automotive business works. In the picture, was a Hawaiian vessel currently operating in San Diego. He showed how the vehicles are stored in blocks and gave the Commission a concept of how the operations work. The vessels come in, carrying anywhere from 2,000 to 4,000 vehicles and drop somewhere between 1,000 to 3,000 vehicles at a time. The vehicles are brought by longshoremen to designated areas in the terminal. Terminal labor takes those vehicles into shops or directly to trucks for movement to local dealers in the western United States. Conversely, some vehicles are exported from U.S. manufacturers to Asia and other locations where they would come in and likewise be prepared and subsequently loaded by longshoremen to the vessel for export. He showed a snapshot of a railroad vessel showing multiple decks. It comprises of three movable decks that can be raised to accommodate other cargoes such as trucks, machinery or heavy equipment. A typical mix for Hawaii trade would be 1500 vehicles going out and 200-250 pieces of heavy equipment. Some of the work that they contemplate doing at Pier 80 would be paint-less dent repair in preparation for movement on to the dealers. When a vehicle comes in and there are exceptions noted, they offer the manufacturers the service of preparing the vehicle, taking the dents out like buffing and other sort of work which potentially allows them to employ local labor. Wrap guard application is for an export move, it's a plastic coating put on a vehicle prior to export to protect the vehicle in transit. They will wash most vehicles that come through the facility, before and after an inspection. In San Diego, depending on the customer, they can get heavily involved into managing parts and inventory during accessorization such as alarm systems, CD players, roof racks, etc., again providing employment. They retrofit some vehicles including warranty repairs and replacing transmissions or vehicle parts when there are problems or recall. Their system is going through that process from start to finish, keeping track with all the work that has been done. He showed a snapshot of a carrier carrying somewhere between 8-10 vehicles per truckload which compared to a lot of maritime cargoes will lessen the traffic as they are combining several vehicles on each truck. Some of the differences with other bulk operations are the trucks come in and spend time with their loads before they leave the terminal, involving inspection and preparation of vehicles before they're loaded on the truck. Their trucks are shut down; they're not running during the time that they are preparing and loading their trucks. They hope that in the short term, they will be able to introduce rail movement in and out of the facility which would further lessen the traffic impacts on the terminal and provide new opportunities for some of the manufacturers. Their anticipated start date is April 1, 2007. They are hoping to bring about 40,000 units in their first year to get started. They have long-term goals. They want to grow at the Port and to bring in more cargo as they can. They see an initial creation of 20 full-time jobs from local labor sources to help with the

specialized processing of the vehicles such as various repairs, preparation, etc. They see about 24 vessel calls annually, one every couple weeks. They will employ a lot of local stevedore labor as well. He showed a list of some of the procedures that they employ in San Diego to be in alignment with the strict requirements of State agencies for any and all environmental concerns. Autos are typically very clean cargo. In San Diego, they have a paint booth and things like that are strictly regulated and very carefully installed. They don't foresee the installation of a paint booth immediately in San Francisco but it could happen in the long term. They pay very close attention to best management practices and the management of any environmental concerns. All of the people that come in and out of the terminal including truck drivers and other contractors are trained and given literature. They have signage around the terminals to keep people alert as to pollution prevention programs in their ports and they will work closely with the Port staff to maintain that.

Commissioner Hardeman commented that this sounds like a good project for the Port.

Mr. Dailey added that staff has a lot of work to do and hope to be back for approval soon. Staff is excited about the opportunity and realized that there are remaining issues that need to be dealt with. He's confident that we can come up with a package that solidifies our cargo business while at the time sensitive to community and environmental concerns, providing new jobs for people in the southern waterfront and solidify our cargo future.

Commissioner Brandon asked how many additional truck trips this project will generate. Mr. Dailey replied that it would be 40,000. Mr. Pasha clarified that initially trucks will be coming in empty and loading and going out, about 8-10 moves a day would be an average. Commissioner Brandon asked if there will be none going out. Mr. Pasha replied that there would probably be none initially but there could be in the future.

Mr. Dailey added that a real key component is with the addition of on dock rail at the pier. The ability to move automobiles on and off the terminal by rail would solidify our position. It would entail notching the tunnels in a fair amount of coordination with the joint powers board and other regional agencies to get that done. Ideally, if we want to plan for the future and have the least impact in terms of truck trips, on-dock rail would solve a multitude of problems for the Port. Mr. Pasha added that on-dock rail will allow the Port to grow its business as well.

Commissioner Brandon asked what it would take for the Port to get on-dock rail and how long. Mr. Dailey replied that is a $5 million question. The City's request for Proposition 1B monies is a high priority in the City to garner state bond infrastructure money to help the Port with that effort. If we can get rail on dock, there will be no trucks in the neighborhood and it allows the Port to double its volume. It's a perfect scenario. It will be a high priority for the Port and the Commission to get that money to make the tunnel improvements.

Commissioner Brandon asked if staff has looked at the environmental impacts of this operation. Diane Oshima replied that staff did a review of the Pasha volumes based on the data that Jill Simpson had provided her. They looked at the projected impacts based on a maximum ceiling, a level of activity at 70,000 autos per year versus the 40,000 that was cited. There is a Southern Waterfront EIR that has been done that looked at a

package of different activities going on in the Southern Waterfront including cargo activity at Pier 80. In general, the cargo activity that was assumed to be taking place at Pier 80 in that EIR analysis is significantly higher than what we have going on now. Even if they add the 70,000 cars associated with Pasha that would still not reach the levels that were associated in the EIR analysis. Staff did do an averaged out truck trip projection associated with the 70,000 cars. She's reticent to cite numbers from memory but basically, the EIR had about 225 trucks per day projected with the associated amount of cargo from Pier 80 and they were looking at 100 truck trips per day scenario with the 70,000 cars and the activity at Pier 80. That would still significantly under what had been projected at that time.

Commissioner Brandon asked if there are no trucks trips going on now. Ms. Oshima replied that it's inclusive of what's going on there now. She'd like to pick up her files and make sure that she's accurate and she can report back to the Commission.

Commissioner Brandon indicated that if we get to the 100,000 figure that we would like to, she asked how the existing activity would be impacted. Mr. Dailey replied that if we get to 100,000 automobiles, realistically we're looking at a rail component which is going to be moving a fair amount of that. We might be able to do it by truck but realistically 100,000 we'll have to have the rail component built in to have the velocity of cargo movement.

Mr. Pasha indicated that it would be tough to handle that volume with pure truck movement. Rail would be the marketing component that would allow them to expand beyond the 60-70,000 units. It would be almost a requirement to efficiently handle that kind of volume. There are other things that can be done such as running trucks in and out at night time and running weekends to evenly spread out the volume.

Commissioner Brandon asked if staff has looked at the mitigation measures with this lease as far as the new truck trips, air quality, etc. Ms. Oshima replied that in terms of mitigation measures, the EIR as it is set up has mitigation measures that are oriented to tenants that operate fleets of trucks. It's her understanding that Pasha does not operate fleets of trucks. They allow auto haulers from different customer areas to come in and pick up the cars. The mitigation measures that the Commission has seen in the past that has been attached to tenant operations like many of our concrete batch plants or NorCal where they have their own fleets and they have control over the management of those trucks, those have been the leases where there are mitigation measures trying to encourage use of biodiesel and other kinds of lower emission fuels or truck maintenance kinds of mitigation. Based on staff's understanding of the proposal, those mitigation measures would not apply. That's not to say that in the context of the lease, conditions themselves that the Commission is precluded from being able to look beyond that. From a purely CEQA perspective, it's outside those bounds.

Commissioner Brandon asked about the jobs associated to this project and whether the 20 jobs are all union. Mr. Pasha replied that they will probably be union jobs, local labor organizations but they have not begun negotiations yet. Most automotive facilities are teamsters. Commissioner Brandon asked if there will be other jobs outside of teamsters. Mr. Pasha replied that they anticipate hiring some staff, initially 2 or 3. They will Pasha employees but they can certainly abide by the first source hiring and

bring in a few people. He does not know what those positions would be specifically. Most of their terminals have staff to assist with a variety of duties around the office and operations.

Commissioner Brandon asked if there are any community benefits of this project. Mr. Dailey replied that on the macro level, the Port has been struggling in the cargo sector for decades. There are hundreds of Local 10 and the ILWU members that are from the 94124 area code. To solidify that business at Pier 80 for the next 15 years is a benefit to the City in terms of handling cargo and diversifying the City's economy. On the micro level, there is a benefit for the teamsters that are going to be operating in the facility. For the local truckers to which Pasha controls any of the trucking, to the railyard, the ship chandlers and to the shipyard as more vessels come in.

Commissioner Brandon asked about the benefits to the surrounding community that is going to be impacted. Mr. Dailey replied that hopefully that there will be a lot of people working at the terminal that would be coming from the community. Commissioner Brandon asked if they are only going to be hiring teamsters from those areas for this contract. Mr. Dailey replied that the contract does not allow us to specify which union to hire. Commissioner Brandon asked about the overall community benefit that is included in the contract. Mr. Dailey replied that various City requirements such as first source hiring that mandates certain protocols for entry level jobs in the community are included in the contract. In terms of best operating practices to utilize, alternative fuels will be in the contract. Healthcare for non-unionized workers in the office that will be specified in the new healthcare ordinance will be in the contract. Commissioner Brandon recommended revisiting this issue when this item is brought back to the Commission.

Ms. Moyer indicated that the difficulty is we have some ideas but we haven't shared them with the Pasha Group.

Commissioner Brandon commented that this sounds like an exciting project.

David Gavrich, LB Railco, vice chair of SWAC and member of the MCAC, indicated the issue of the Pasha project has come before both the SWAC and the MCAC. It was favorably received. The main reason is that both those communities have been looking for some exciting initiatives at Pier 80 for quite some time. As the rail yard and the rail road operator and with the new rail bridge coming on line in the next several months, they think this poses a good opportunity for both local businesses and for the local community. The 20 on-dock jobs that are teamster jobs, they've seen examples of apprentice programs that specified that the teamsters focus on local residents and train local residents for that kind of job. They hope that is possibly one of the ways that the community can benefit in terms of direct jobs. In terms of trucking jobs, they have some of the local community truckers parking in their yard and who are their priority truckers. They use 100% local community truckers out of the rail yard. They are hoping that some of those jobs for the car carriers might be able to go to their local truckers who actually live and work in the community. In the interim before rail becomes a reality and the tunnels are notched, they hope that the trucking jobs or a portion of those could go to the local community truckers. That can be a significant base business for those local truckers. With regard to the potential for future rail, they have been moving LB Railco's railroad to be a green railroad. Supervisor Maxwell was very instrumental in helping them get two Carl

Moyer grants to replace engines in their mobile cranes in the rail yard. Commissioner Hardeman and Supervisor Maxwell inaugurated the Moyer grants and watched the demonstration of those pieces of equipment 18 months ago. Since that time, they've moved toward a biodiesel fuel option. They will be bringing in the first rail tanker car of biodiesel fuel ever to come to San Francisco. They will be fueling everything, their locomotive, cranes, forklifts, etc. with biodiesel and providing for other people in the southern waterfront to have biodiesel as an alternative fuel. They see this option and being able to service Pier 80 as increasing their ability to hire more people in the local neighborhood. The people they hire from the local neighborhood, some are part of the Railroad Retirement Act, which is long-term pension plans and high-paying jobs. There are careers in the railroad business and can serve as a jumping-off point into the mainline railroad such as Union Pacific and Burlington Northern. They see this as being an anchor of business of Pier 80 that will allow both local trucking and their rail, both of which employ local residents and businesses to thrive in the future.

Michael Dennis, MCD Truck, indicated that they keep all their equipment in the railyard. This project would be a great opportunity for the community to get involved with the trucking part of this business, training and moving the vehicles in and out of the community. They are talking about training facility to train people to work with Pasha. The truckers will be there for them if they need them.

B. Informational presentation on Casual Landings of Excursion Boats at Port Ferry Facilities.

John Davey, Assistant Deputy Director of Maritime, indicated that in September 2006, Peter Dailey gave a presentation on the ferry business at the Port and he discussed the fee structures and how staff went about developing the ferry terminal at the Port. The excursion boat business, in terms of maritime, provides some of the largest revenue generating businesses at the Port. Hornblower, Blue & Gold, Red & White Fleet, Signature Yachts are all big excursion boat businesses that operate in the bay and operate the bay tours, trips to Golden Gate and Alcatraz. All those excursion boat operators operate out of proprietary facilities at Pier 43, Pier 41, Pier 31½ and Pier 3. As such they have entire control of those operations. They built the docks, they man the docks, they provide their own maintenance, set the rates, do advertising, etc. The Port, in a sense, does not have much input, oversight, or much to do in terms of forming that part of the business. Staff reviewed the past three years of revenues generated by excursion under the casual landing rights agreement: In 2003/04 there were 51 excursions which generated $8,000. In 2004/05 there were 55 landings and generated $19,000. In 2005/06 there were 109 landings, generating $21,000. The Commission may wonder how the Port can generate twice as many landings but only receive a small percentage more in terms of revenue. It has to do with the volatility of the way the structure is set up for the casual landings. Port staff structured the agreements. It was set up respectful of the fact that at the proprietary facilities, the excursion boat operators pay 7% of their income. It was set it up so that there is a landing fee, a dockage fee, and a 7% gross pay on what the operator is gaining on the excursion. In 2004/05 the reason it was doubled was because it was a small school group in an oceanographic boat. The Port charged them $75 per dockage. That was the reason why there was a little increase in the amount of money but a large increase in the amount of business. There is a small business that is operated at the Ferry Building and at the China Basin. The terminals are primarily set up for commuter ferries.

There's not a great deal of space adjacent to these terminals for charters. Charters are a group of people, either arriving or being taken back by a bus. There is no place for that activity to take place particularly on game day. These facilities are not conducive to charter events. China Basin has its own challenge even though it's a beautiful spot for the ferry terminal for the ballpark itself. It's on the backside of the ballpark and once again these transportation connections or visual connections that would make it attractive for a day charter type of operation do not exist. Staff needs to update the Port's casual landing rights agreement. They were written over six years ago. They need to be updated to incorporate the current City ordinance and languages. Staff would like to look at whether or not the idea of a 7% gross fee on an excursion landing is a damper or maybe we need to look at putting a per passenger wharfage fee. In addition to the dockage fee, they will pay for $1 or $1.50 per passenger and see whether or not that would take away the disincentive for companies that don't want to come here because they don't want to pay such a high fee and give them a fixed cost. There is also a new opportunity that's come from Red & White Fleet. They suggested that there might be an opportunity for regularly scheduled tour boat business. They run out of their own proprietary facility at Fisherman's Wharf, like their competitors, because of the resurgence of the tourist activity at the Ferry Building. They believe that there might be a possibility to pick up regular schedule bay tours. They have been running that operation for about a year's time to less than spectacular performance. Port staff feels that is something that merits a separate type of an agreement that wouldn't be a casual landing rights agreement but rather a regularly scheduled service that would have passenger fee component to it and see whether or not that type of business could take root at the downtown ferry terminal. Staff will come back to the Commission for approval of the updated casual landing rights agreement at a later date.

12. PLANNING & DEVELOPMENT

A. Request approval to extend the term by an additional sixty days of the Exclusive Negotiation Agreement ("ENA") with High Flying Foods, Inc., for the Retail Leasing Opportunity located at 360 Jefferson Street; Request Approval to Execute First Amendment to the ENA extending the Term to May 4, 2007. (Resolution No. 07-13)

Commissioner Rodney Fong recused himself from this item.

Phil Williamson, Planning and Development, indicated that in August 2005, the Port advertised Request for Proposals (RFP) for the rehabilitation of an existing retail storefront located in the Fish Alley area at Fisherman's Wharf. The RFP sought responses from respondents having the demonstrated ability to finance, design, construct and operate a retail storefront providing the surrounding neighborhood and businesses with a high quality retail experience. Possible uses of the site were drawn from the Waterfront Land Use Plan to include the sale of fish; restaurants and other eating and drinking establishments; retail connected with the sale of artisan and designer products; information services to educate and inform the public; and assembly and entertainment including theatres, night clubs and public markets.

In August 2006, after a thorough review and analysis of the three submitted proposals staff received, the Port Commission approved an ENA between the Port and High Flying Foods, Inc. for the development of a restaurant known as Firewood Café.

Roddy Craydon indicated that they've held design meetings with the Fisherman's Wharf Advisory Group and the WDAC. The neighborhood is comprised of a range of different buildings. The particular site they are working on is characterized as an end cap to a long building that runs from Jefferson Street back to the water's edge. The restaurant is located across the street from In & Out Burger. He showed a picture of the views of the existing building that is going to be replaced by the Firewood project. He showed a drawing showing the design project in the context of the street. There was a thorough discussion last night with WDAC regarding the design direction. They feel very comfortable about the project they presented. They have some comments and thoughts about how it could be better that they are going to take back with them and work on. The large challenge and opportunity for the project is to try to figure out how to blend the brand identity of Firewood and the many stores they have in the bay area with the requirements and desires of the Port and their historic maritime character. He showed a slide of some material choices that they presented to WDAC and they will be exploring further in the interior material palette for Firewood.

Mr. Williamson indicated that one thing they talked about last night was the discussion of the Firewood Café creating an arcade from the building face out to a portion of the sidewalk to create an exterior seating at the ground level and exterior balcony at the top level. That arcade concept was also warmly received by the WDAC and it fits with the Port's Waterfront Design and Access Element for that district. It's an important and a lesser architectural feature but it adds square footage and it adds some seats to the site and makes it more viable from the proponent's perspective.

The main issue is the discussion of the ENA that was approved last August. The original term of the ENA was for three months and it had an associated negotiation fee of $10,000. The ENA provided for 3 consecutive one-month options to extend the term for a negotiation fee of $5,000 for a one-month option. High Flying Foods (HFF) has exercised each of those options and paid total negotiation fees of $25,000 to date. The final one-month option expires on March 4, 2007.

To date HFF and the Port have made significant progress towards concluding lease negotiations and anticipate reaching agreement on all lease terms in advance of the final option period expiration date. However, the ENA states that the Port shall not enter into any lease until there has been complete compliance with the CEQA. HFF and the Port acknowledged that CEQA determination will not be obtained prior to the final expiration date of March 4, 2007. HFF has submitted a written request to the Port to extend the term of the ENA an additional 60 days to obtain the required CEQA determination and to complete the review process now underway. With the final CEQA determination, Port staff will be in a position to seek approval of the lease. HFF further requests that the additional 60-day period incur no additional negotiation fee in recognition of the $25,000 in negotiation fees and nearly $16,000 in city planning fees they have spent to date and acknowledging they will continue to incur costs for architectural, engineering and other soft costs during the 60-day extension period. Port staff supports HFF's request and requests Port Commission's approval of an additional 60-day extension to the ENA to May 4, 2007 and authorize the Executive director to execute a First Amendment to the ENA reflecting the extension with no additional negotiation fee to be paid by HFF.

Commissioner Brandon asked where in the process we lost the 60 days or what the Port did to not complete the process. Mr. Williamson replied that the letter we received from the HFF team listed the main reason of the extension request i.e. there were some changes to the project as they did more due diligence after the RFP was issued. After the ENA was executed, they did a more extensive review of the on-site conditions that resulted in reworking the approach and becoming a less of a remodel and more of an extensive renovation. That slowed down the design and there's some egress issues as well where the tenant would exit to satisfy the fire marshal concerns and that was resolved in an amicable fashion. There was also a potential overlap with another tenant's rights which they were able to get around. Those issues are the reason why we were a little late in getting the design to MEA and late in getting the CEQA determination.

Commissioner Hardeman commented that the Fisherman's Wharf Waterfront Advisory Group will be receiving a presentation on this project before the next Port Commission meeting so if there's any opposition, the Commission will know about it. Mr. Williamson indicated that as Mr. Craydon mentioned they've had one presentation and the second presentation will be done on March 20, 2007.

ACTION: Commissioner Brandon moved approval; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor; Resolution No. 07-13 was adopted.

B. Request approval to Execute Fourth Amendment to the Amended ENA Extending the Term and Amending the Benchmarks and Other Provisions (Site Location: The Embarcadero, between Francisco and Battery Streets). (Resolution No. 07-14)
Jennifer Sobol, Planning and Development, requested the Commission's approval of the extension of the ENA between SF Piers LLC and the Port for the Piers 27-31 Mixed Use Recreation Project. The ENA expires on February 28, 2007. Staff is seeking an extension to May 15, 2007, an extension of 77 days. Staff had planned to come before the Commission on January 9, 2007 to present a development plan and a revised Development Memorandum for the Commission's endorsement. After further consideration, the developer requested a postponement and that the project be revised to include more trust consistent uses to see if we could make it more in compliance with the public trust doctrine. They requested the matter not be heard and that further discussions take place. They have been discussing ways to make the project more viable and they are hoping to come up with a plan that is both economically viable and more trust consistent. The fourth amendment to the ENA also includes some revisions to the initial performance benchmarks. Staff suggested adding a benchmark 11 which would require the developer to submit a new development proposal with preliminary financial plans and proposals by April 16, 2007. Staff is also asking the Commission to temporarily suspend the benchmark requiring monthly reports, the benchmark requiring a Port endorsement of the revised development memorandum and the benchmark requiring identification of the active recreation operator because during the next 2 ½ month period, they will be working very hard to see if a viable plan is possible both economically and in terms of the uses. Staff will request reactivation of those benchmarks if appropriate. Staff plans to come back to the Port Commission on May 8, 2007 with a revised new proposal, if appropriate and to seek further extension of the ENA so we can continue negotiations of the development project. The fourth amendment also includes, at the developer's request, a new payment schedule for the negotiating fees as set forth in the staff report. The

developer has also requested revision of how the transaction costs are paid to the Port such that the fees incurred in-house by Port staff and legal counsel would be paid 50% of the obligation and 100% of the fees for outside consultants would be reimbursed initially. After the occurrence of the three events i.e. the endorsement resolution by the Port, endorsement resolution by the Board and a determination of trust consistency, the other 50% of the transaction cost would be reimbursed to the Port. The reason for this is to realign the interest of the Port and the developer and the successful implementation of the project so that if the project is successful, the Port will be fully reimbursed for its costs. If it's not successful, the Port will bear some of the loss. These are the revisions that are incorporated into the fourth amendment and Ms. Sobol asked for Commission's approval of the 4th amendment and authorization for the Executive Director to execute the document.

ACTION: Commissioner Hardeman moved approval as amended; Commissioner Fong seconded the motion. All of the Commissioners were in favor; Resolution No. 07-14 was adopted.

General Counsel Robert Bryan recommended that the Port Commission discuss this item in closed session and give staff direction in closed session and not take any action or more discussion on this matter at this time.

ACTION: Commissioner Hardeman moved approval to amend the motion as stated by Counsel; Commissioner Fong seconded the motion. All of the Commissioners were in favor.

13. NEW BUSINESS / AGENDA SETTING

Monique Moyer indicated that there were ten items on the agenda today and thanked the Commission for their indulgence. With respect to three of the items, staff needed Commission's input to be able to move forward. At the next meeting, there are only have 5 items on the agenda and based on the feedback from the Commission today on several of the items, there might only be two left. Staff is hoping to bring the Pasha and the corresponding MTC amendment at the next meeting. Staff sent them a significant draft of a contract. Staff suspects that would be delayed another meeting. She does not know for certain what the next steps will be for the Trans Bay project. There's more work to be done so that project could be postponed as well. Peter Dailey, Mike Nerney and she will be traveling to Miami, Florida, during the next meeting for the Seatrade Conference, the conference of the cruise industry. Staff is working hard to grow our cruise business back to the 2006 level. It's a very important trip; it's the first time that she will be attending. Tina Olson will be the acting Executive Director for the March 13th meeting.

Commissioner Hardeman clarified that he wasn't thinking of a high dollar event if we do something with the All Star Game. He's thinking of something low key, affordable and within a budget. If the Executive Director doesn't find anything that fits, perhaps we won't do anything. Ms. Moyer replied that it's a very intriguing concept and as she mentioned earlier, we expect to have a big customer event with the Sister Ports and may be this would be another opportunity. Staff will be working on that and soliciting Commission's ideas. Staff will try to work on that and report back.

14. PUBLIC COMMENT

15. COMMUNICATIONS

16. RECONVENE IN OPEN SESSION

ACTION: Commissioner Hardeman moved approval to adjourn open session and reconvene in executive session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 5:35 p.m., the Commission withdrew to executive session to discuss the Piers 27-31 item.

17. ADJOURNMENT

ACTION: Commissioner Hardeman moved approval to adjourn executive session in reconvene in open session; Commissioner Fong seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Hardeman moved approval of Resolution No. 07-14; Commissioner Fong seconded the motion. All of the Commissioners were in favor. Commissioner Lazarus recused herself from voting on this item.

ACTION: Commissioner Hardeman moved approval to not disclose any other information discussed in executive session; Commissioner Fong seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner Hardeman seconded the motion. All of the Commissioners were in favor.

Commission President Ann Lazarus adjourned the meeting at 6:27 p.m.

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